**Supplemental Listing Document**

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of UBS AG, acting through its London branch, the Certificates, or the Company (as defined below).

**2,500,000 European Style Cash Settled Long Certificates relating to**

**the ordinary shares of Venture Corporation Limited**

**with a Daily Leverage of 5x**

**UBS AG**

**(Incorporated with limited liability in Switzerland)**

**acting through its London Branch**

**Issue Price: S$0.80 per Certificate**

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by UBS AG (the "**Issuer**") acting through its London branch, and is supplemental to and should be read in conjunction with a base listing document dated 28 June 2023 (the "**Base Listing Document**"), including its supplements and addenda as executed from time to time, for the purpose of giving information with regard to the Issuer and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer. Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in the United States, the United Kingdom, the European Economic Area, Singapore and Hong Kong (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the

Issuer and/or any of its affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer and/or any of its affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

For the purpose of section 309B(1) of the Securities and Futures Act 2001 of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

Prospective purchasers should therefore ensure that they understand the nature of the Certificates and carefully study the risk factors set out in the Base Listing Document and pages 5 to 9 of this document before they invest in the Certificates.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 7 July 2023.

As at the date hereof, the Issuer's long term credit rating by S&P Global Ratings Europe Limited is A+, by Moody's Investors Service Ltd.is Aa3 and by Fitch Ratings Ireland Limited is A+.

The Issuer is regulated by, among others, the Swiss Federal Banking Commission. In the United Kingdom, it is authorised by the Prudential Regulatory Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulatory Authority.

6 July 2023

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer accepts full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to itself and the Certificates. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which it accepts responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer accepts responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer.

No persons have been authorised to give any information or to make any representation save as contained in this document or otherwise authorised by the Issuer in connection with the Certificates and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer or its subsidiaries and associates since the date hereof.

This document does not constitute an offer or solicitation by or on behalf of the Issuer to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer requires persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer and/or any of its affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer and/or any of its affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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## RISK FACTORS

The following risk factors are relevant to the Certificates:-

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer will be unable to satisfy its obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute direct, general and unsecured contractual obligations of the Issuer and if you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against any other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates you are relying upon the creditworthiness of the Issuer and have no rights under the Certificates against the Company which has issued the Underlying Stock (as defined below). The Issuer has substantially no obligation to a Certificate Holder (as defined in the Conditions) other than to pay amounts in accordance with the terms thereof as set forth herein and in the Base Listing Document. The Issuer does not in any respect underwrite or guarantee the performance of any Certificate. Any profit or loss realised by a Certificate Holder in respect of a Certificate upon exercise or otherwise due to changes in the value of such Certificate or the Underlying Stock is solely for the account of such Certificate Holder. In addition, the Issuer shall have the absolute discretion to put in place any hedging transaction or arrangement which it deems appropriate in connection with any Certificate or the Underlying Stock. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by any one of its rating agencies could result in a reduction in the trading value of the Certificates;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry and the creditworthiness of the Issuer;

(e) fluctuations in the price of the Underlying Stock will affect the price of the Certificates but not necessarily in the same magnitude and direction, therefore, prospective investors intending to purchase Certificates to hedge their market risk associated with investing in the Underlying Stock which may be specified herein, should recognise the complexities of utilising the Certificates in this manner;

(f) a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(h) investors should note that the Issuer's obligations to pay amounts in accordance with the terms thereof as set forth herein shall be discharged by delivery of the aggregate Cash Settlement Amount (if positive) to all Certificate Holders in accordance with the agreement with the Warrant Agent;

(i) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(j) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions;

(k) the Certificates are only exercisable on the expiry date and may not be exercised by Certificate Holders prior to such expiry date. Accordingly, if on such expiry date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(l) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(m) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and the Rebalancing Cost (as defined below);

(n) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(o) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(p) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);

(q) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(r) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following day (including pre-opening trading session and extended auction hours, if applicable) or (ii) a sharp intraday fall in the Underlying Stock of 20% or greater during the observation period compared to the reference price, being: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest new observed price. Investors may refer to pages 40 to 41 of this document for more information;

(s) certain events may, pursuant to the terms and conditions of the Certificates, trigger (A) the implementation of methods of adjustment or (B) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (A) general market conditions and (B) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to Condition 13 on pages 27 to 28 of this document for more information;

(t) investors should note that it is not possible to predict the price at which the Certificates will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Certificates of a particular issue are exercised, the number of Certificates of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Certificates of such issue. A decrease in the liquidity of an issue of Certificates may cause, in turn, an increase in the volatility associated with the price of such issue of Certificates. The Issuer may, but is not obligated to, at any time, purchase Certificates at any price in the open market or by tender or private agreement. Any Certificates so purchased may be held or resold or surrendered for cancellation. To the extent that an issue of Certificates becomes illiquid, an investor may have to exercise such Certificates to realise value;

(u) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(v) investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors should refer to the Taxation Section in the Base Listing Document;

(w) investors should note that the Issuer may enter into discount, commission or fee arrangements with brokers and/or any of its subsidiaries or affiliates with respect to the primary or secondary market in the Certificates. The arrangements may result in the benefit to investors in Certificates buying and selling Certificates through nominated brokers by reducing or eliminating the commission payable by such Certificate Holders. In the event that the commission payable by Certificate Holders is eliminated, fee arrangements between the Issuer and brokers and/or any of its subsidiaries or affiliates will continue to apply. Investors in the Certificates should note that any brokers with whom the Issuer has a commission arrangement does not, and cannot be expected to, deal exclusively in the Certificates, therefore any broker and/or any of its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Stock and/or structured products of other issuers over the Underlying Stock as the Certificates for their proprietary accounts and/or accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Certificates and present certain conflicts of interests;

(x) various potential and actual conflicts of interest may arise from the overall activities of the Issuer and any of its subsidiaries and affiliates.

The Issuer and any of its subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer and any of its subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer and any of its subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer and any of its subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(y) in the ordinary course of their business, including without limitation in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer and any of its respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock and/or related derivatives. In addition, in connection with the offering of any Certificates, the Issuer and any of its respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock and/or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and any of its respective subsidiaries and its affiliates, the Issuer and any of its respective subsidiaries and affiliates may enter into transactions in the Underlying Stock and/or related derivatives which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(z) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;

(aa) certain risks relating to the Issuer's operating environment and strategy, including those as set out in Appendix 2 of the Base Listing Document, may impact the Issuer's ability to execute its strategy and directly affect its business activities, financial condition, results of operations and prospects. As a broad-based international financial services firm, the Issuer is inherently exposed to risks that become apparent only with the benefit of hindsight, risks of which it is not presently aware or which it currently does not consider to be material could also materially affect its business activities, financial condition, results of operations and prospects. The sequence in which the risk factors are set out in Appendix 2 of the Base Listing Document is not indicative of their likehood of occurrence or the potential magnitude of their financial consequences;

(bb) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):-

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the website of the SGX-ST. Investors will need to check the website of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(cc) Generally, investing in the Certificates may involve risks related to the discontinuance, changes or adjustments to benchmarks generally

Discontinuance of, or changes to, benchmarks may require adjustments to the Issuer's agreements, systems and processes. The interbank offered rate(s) and other interest rate, equity, commodity, foreign exchange and other types of indices which are deemed to be "benchmarks", are the subject of national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be or may be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark. Investors should consult their own independent advisers and make their own assessment about the potential risks or any of the international or national reforms in making any investment decision with respect to any Certificates referencing a benchmark.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.*

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

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| Certificates: | 2,500,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Venture Corporation Limited (the "**Underlying Stock**" or the "**Underlying**") |
| ISIN: | CH1227876443 |
| Company: | Venture Corporation Limited (RIC: VENM.SI) |
| Underlying Price[3] and Source: | S$14.62 (Bloomberg) |
| Calculation Agent: | UBS AG acting through its London Branch |
| Strike Level: | Zero |
| Daily Leverage: | 5x (within the Leverage Strategy as described below) |
| Notional Amount per Certificate: | SGD 0.80 |
| Management Fee (p.a.)[4]: | 0.40% |
| Gap Premium (p.a.)[5]: | 6.90%, is a hedging cost against extreme market movements overnight. |
| Funding Cost[6]: | The annualised costs of funding, referencing a publically published reference rate plus spread. |
| Rebalancing Cost[6]: | The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock. |
| Launch Date: | 28 June 2023 |
| Closing Date: | 6 July 2023 |
| Expected Listing Date: | 7 July 2023 |

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[3] These figures are calculated as at, and based on information available to the Issuer on or about 6 July 2023. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 6 July 2023.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Strategy.

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| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 23 May 2025 |
| Expiry Date: | 30 May 2025 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates) |
| Board Lot: | 100 Certificates |
| Valuation Date: | 29 May 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |
| Cash Settlement Amount: | In respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to:<br><br>Closing Level multiplied by the Notional Amount per Certificate<br><br>Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 32 to 46 of this document for examples and illustrations of the calculation of the Cash Settlement Amount. |
| Hedging Fee Factor: | In respect of each Certificate, shall be an amount calculated as: Product (for t from Expected Listing Date to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where:<br><br>"**t**" refers to "**Observation Date**" which means each Exchange Business Day (subject to Market Disruption Event) from (and including) the Exchange Business Day immediately preceding the |

Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Exchange Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 32 to 46 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

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| Closing Level: | In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: $$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$ |
| Initial Reference Level: | 1,000 |
| Final Reference Level: | The closing level of the Leverage Strategy (as described below) on the Valuation Date<br><br>The calculation of the closing level of the Leverage Strategy is set out in the "Specific Definitions relating to the Leverage Strategy" section on pages 14 to 18 below. |
| Initial Exchange Rate: | 1 |
| Final Exchange Rate: | 1 |
| Air Bag Mechanism: | The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.<br><br>Trading of Certificates is suspended for at least 30 minutes of continuous trading after the Air Bag is triggered. The resumption of trading is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour. |

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| | The Leverage Strategy is floored at 0 and the Certificates cannot be valued below zero.<br><br>Please refer to the "Air Bag Mechanism" section on page 18 below and the "Description of Air Bag Mechanism" section on pages 38 to 39 of this document for further information of the Air Bag Mechanism. |
| Adjustments and Extraordinary Events: | The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made. |
| Underlying Stock Currency: | Singapore Dollar ("**SGD**") |
| Settlement Currency: | SGD |
| Exercise Expenses: | Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates. |
| Relevant Stock Exchange for the Certificates: | The Singapore Exchange Securities Trading Limited ("**SGX-ST**") |
| Relevant Stock Exchange for the Underlying Stock: | The SGX-ST |
| Business Day, Settlement Business Day and Exchange Business Day: | A "**Business Day**", a "**Settlement Business Day**" or an "**Exchange Business Day**" is a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore. |
| Warrant Agent: | The Central Depository (Pte) Limited ("**CDP**") |
| Clearing System: | CDP |
| Fees and Charges: | Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.<br><br>Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily |

and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and the Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.

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| Further Information: | Please refer to the website at http://dlc.ubs.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium. |

**Specific Definitions relating to the Leverage Strategy**

***Description of the Leverage Strategy***

The Leverage Strategy is designed to track a 5 times daily leveraged exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

***Leverage Strategy Formula***

$\mathbf{LSL_t}$ means, the Leverage Strategy Level as at the Leverage Reset Time (t), calculated in accordance with the following formulae:

On Leverage Reset Time (1):

$\mathrm{LSL}_1 = 1000$

On each subsequent Leverage Reset Time (t):

$$\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{r(t)}} \times \left(1 + \mathrm{LR_{r(t),t}} - \mathrm{FC_{r(t),t}} - \mathrm{RC_{r(t),t}}\right), 0\right]$$

**Leverage Reset Time (t)** means

1) the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date; and

2) end of any Intraday Restrike Event Observation Period.

Leverage Reset Time (1) is the scheduled close for the Relevant Stock Exchange for the Underlying Stock on Issue Date.

**Leverage Reset Time r(t)** means the Leverage Reset Time immediately preceding the Leverage Reset Time (t).

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| $\mathbf{LR_{r(t),t}}$ | means the Leveraged Return of the Underlying Stock between Leverage Reset Time r(t) and Leverage Reset Time (t), calculated as follows:<br>$LR_{r(t),t} = \text{Leverage} \times \left(\frac{S_t}{S_{r(t)} \times Rfactor_t} - 1\right)$ |
| $\mathbf{FC_{r(t),t}}$ | means, the Funding Cost between the Leverage Reset Time r(t) (included) and the Leverage Reset Time (t) (excluded) calculated as follows:<br>If the Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,<br>$FC_{r(t),t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{r(t)} \times \text{ACT}(r(t), t)}{\text{DayCountBasisRate}}$<br>Otherwise, $FC_{r(t),t} = 0$ |
| $\mathbf{RC_{r(t),t}}$ | means the Rebalancing Cost of the Leverage Strategy as at Leverage Reset Time (t), calculated as follows:<br>$RC_{r(t),t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left\lvert\frac{S_t}{S_{r(t)} \times \text{Rfactor}_t} - 1\right\rvert\right) \times TC$ |
| **TC** | means the Transaction Costs applicable as determined by the Calculation Agent (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to:<br>0.04%<br>"Stamp Duty" refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time. |
| **Leverage** | 5 |
| $\mathbf{S_t}$ | means the Underlying Stock Price as of Leverage Reset Time (t) computed as follows, subject to the adjustments and provisions of the Conditions:<br>If the Leverage Reset Time (t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,<br>$S_t$ is the Closing Price of the Underlying Stock as of such Observation Date.<br>Otherwise,<br>$S_t$ is the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period. |
| $\mathbf{Rfactor_t}$ | means an amount determined by the Calculation Agent, according to the following formula, subject to the adjustments and provisions of the |

Conditions:

If in respect of the Leverage Reset Time (t), the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on any Observation Date,

$$\mathrm{Rfactor_t} = 1 - \frac{\mathrm{Div_t}}{\mathrm{S_{r(t)}}}$$

Otherwise,

$$\mathrm{Rfactor_t} = 1$$

Where

$\mathrm{Div_t}$ is the dividend to be paid out in respect of the Underlying Stock on the Observation Date of the Leverage Reset Time (t) if such Observation Date is an ex-dividend date, otherwise is zero. The dividend shall be considered net of any applicable withholding taxes.

$\mathbf{Rate_t}$ means, in respect of the Observation Date of Leverage Reset Time (t), a rate calculated as of such day in accordance with the following formula:

$$\mathrm{Rate_t} = \mathrm{CashRate_t} + \%\mathrm{SpreadLevel_t}$$

$\mathbf{CashRate_t}$ means, in respect of each Observation Date of Leverage Reset Time (t), the daily Singapore Overnight Rate Average (SORA) provided by the Monetary Authority of Singapore as administrator of the benchmark (or a successor administrator), as published on Refinitiv Screen (SORA=MAST) or any successor page, being the rate as of day (t) at 09:00 Singapore time, provided that if such rate is not available, then such rate shall be determined by reference to the last available rate that was published on the relevant Refinitiv page.

$\%\mathbf{SpreadLevel_t}$ means, in respect of the Observation Date of the Leverage Reset Time (t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month CME Term SOFR Reference Rate, as published on Refinitiv RIC .SR1Y and (2) the US SOFR Secured Overnight Financing Rate, as published on Reuters RIC USDSOFR= or any successor page, each being the rate as of the calendar day immediately preceding the Leverage Reset Time (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Refinitiv page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Benchmark Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, %**SpreadLevelt** should be 0%.

**Benchmark Event** means:

(a) the relevant reference rate has ceased to be published on the relevant screen page as a result of such benchmark ceasing to be calculated or administered; or

(b) a public statement by the administrator of the relevant reference rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such reference rate) it has ceased publishing such reference rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or

(c) a public statement by the supervisor of the administrator of the relevant reference rate that such reference rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the relevant reference rate as a consequence of which Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used, or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Certificates; or

(e) a public statement by the supervisor of the administrator of the relevant reference rate that, in the view of such supervisor, such reference rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or the methodology to calculate such reference rate has materially changed; or

(f) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent or the Issuer to calculate any payments due to be made to any holder of the Certificates using the relevant reference rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the subparagraphs above, where the relevant Benchmark Event is a public statement within subparagraphs (b), (c), (d) or (e) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

**ACT(r(t),t)** ACT(r(t),t) means the number of calendar days between the Observation Date of the Leverage Reset Time r(t) (included) and the Observation Date of the Leverage Reset Time (t) (excluded).

**DayCountBasisRate** 365

***Air Bag Mechanism***

**Intraday Restrike Event** means in respect of an Observation Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the amount of $S_{r(t)} \times \mathrm{Rfactor}_t$ where r(t) means the immediately preceding Leverage Reset Time prior to such Calculation Time.

**Calculation Time** means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Strategy Level.

**TimeReferenceOpening** means the scheduled opening time (including pre-opening session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**TimeReferenceClosing** means the scheduled closing time (including closing auction session) for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**Intraday Restrike Event Observation Period** means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes of continuous trading after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

**Intraday Restrike Event Time** means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

*The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.*

## TERMS AND CONDITIONS OF

## THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

### 1. Form, Status, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 28 June 2023, made by UBS AG (the "**Issuer**") acting through its London Branch; and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time on or before the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The Certificate Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status*. The Certificates constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise and, in particular, the Certificates will not be secured by any underlying assets. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

(c) *Transfer*. The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

**2. Certificate Rights and Exercise Expenses**

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount (if positive) payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{Final\ Reference\ Level\ \times Final\ Exchange\ Rate}{Initial\ Reference\ Level\ \times Initial\ Exchange\ Rate} - Strike\ Level\right) \times Hedging\ Fee\ Factor$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Final Reference Level or the relevant closing level by having regard to the manner in which futures contracts relating to the Underlying Stock are calculated.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange, if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

**3. Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

**4. Exercise of Certificates**

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the Warrant Agent who will then pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be dispatched by the Warrant Agent as soon as practicable and no later than five Settlement Business Days (as defined in the relevant Supplemental Listing Document) following the Expiry Date (subject to extension upon the occurrence of a Market Disruption Event (as defined above) by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If

the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.
The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment to the Warrant Agent in accordance with the Master Warrant Agent Agreement or Warrant Agent Agreement.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day (excluding Saturdays, Sundays and public holidays) on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

**5. Warrant Agent**

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

**6. Adjustments**

(a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions. "Potential Adjustment Event" means any of the following:*

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the

Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference

Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions.* "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Subdivision or Consolidation of the Certificates*. The Issuer reserves the right to subdivide or consolidate the Certificates, provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events (including the events as contemplated in Conditions 6(a) to 6(e)) occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) and irrespective of, in substitution for, or in addition to the provisions contemplated in Conditions 6(a) to 6(e) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or as the case may be, amendment provided that such adjustment or as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(g) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given notice as soon as practicable of any adjustment and of the date from which such adjustment is effective in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

**7. Purchases**

The Issuer or its related corporations may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

**8. Meetings of Certificate Holders; Modification**

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

**9. Notices**

(a) *Documents*. All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the website of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the website of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

**10. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

## 11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates.

## 12. Delisting

(a) *Delisting*. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) *Issuer's Determination*. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

## 13. Early Termination

(a) *Early Termination for Illegality etc.* The Issuer shall have the right to terminate the Certificates if it shall have determined in its absolute discretion that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control its performance thereunder shall have become unlawful in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**Applicable Law**").

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or any of its affiliates involved in the issue of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in Law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(c) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction).

(c) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by the Applicable Law, pay to each Certificate Holder in respect of each Certificate held by such Certificate Holder an amount calculated by it as the fair market value of the Certificate immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Certificate Holder in such manner as shall be notified to the Certificate Holder in accordance with Condition 9.

**14. Governing Law**

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore.

**15. Prescription**

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

## 16. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise expressly provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

## SUMMARY OF THE ISSUE

*The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.*

| | |
|---|---|
| Issuer: | UBS AG acting through its London Branch |
| Company: | Venture Corporation Limited |
| The Certificates: | European Style Cash Settled Long Certificates relating to the Underlying Stock |
| Number: | 2,500,000 Certificates |
| Form: | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 28 June 2023 (the "**Master Instrument**") and executed by the Issuer and a master warrant agent agreement dated 27 February 2008 (the "**Master Warrant Agent Agreement**") and made between the Issuer and the Warrant Agent. |
| Cash Settlement Amount: | In respect of each Certificate, is the amount (if positive) equal to:<br><br>Notional Amount per Certificate x Closing Level |
| Denominations: | Certificates are represented by a global warrant in respect of all the Certificates. |
| Exercise: | The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 5:00 p.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates. |
| Exercise and Trading Currency: | SGD |
| Board Lot: | 100 Certificates |

| | |
|---|---|
| Transfers of Certificates: | Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP. |
| Listing: | Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 7 July 2023. |
| Governing Law: | The laws of Singapore |
| Warrant Agent: | The Central Depository (Pte) Limited<br>11 North Buona Vista Drive<br>#06-07 The Metropolis Tower 2<br>Singapore 138589 |
| Further Issues: | Further issues which will form a single series with the Certificates will be permitted. |

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

## INFORMATION RELATING TO
## THE EUROPEAN STYLE CASH SETTLED LONG CERTIFICATES ON SINGLE EQUITIES

**What are European Style Cash Settled Long Certificates on Single Equities?**

European style cash settled long certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Strategy.

**A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry**

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will increase and are seeking short-term leveraged exposure to the Underlying Stock.

**B) Trading the Certificates before Expiry**

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Strategy including the Funding Cost and the Rebalancing Cost.

### Illustration of the Calculation of Hedging Fee Factor

| | | |
|---|---|---|
| Hedging Fee Factor | = | Product of the Daily Fees |

| | | |
|---|---|---|
| Daily Fees | = | **Daily Management Fee Adjustment** |
| | | 1 – Management Fee x ACT (t-1;t) / 360 |
| | | x |
| | | **Daily Gap Premium Adjustment** |
| | | 1 – Gap Premium (t-1) x ACT (t-1;t) / 360 |

### Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

| | | t[7]=0 | | t=1 | | | | t=2 | | | | t=i | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Strategy daily performance[8] | x | Daily Fees | x | Leverage Strategy daily performance | x | Daily Fees | x … | Leverage Strategy Daily performance | x | Daily Fees |

| | | t=0 | | Product of the daily Leverage Strategy Performance | | | | Product of the Daily Fees (Hedging Fee Factor) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Strategy daily performance | x | Leverage Strategy daily performance | x | Daily Fees | x | Daily Fees |

| | | t=0 | | | | |
|---|---|---|---|---|---|---|
| Final Value of Certificates | = | Notional Amount | x | Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate | x | Hedging Fee Factor |

### Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Exchange Business Day (subject to Market Disruption Event) from (and including) the Exchange Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] Leverage Strategy daily performance is computed as the Leverage Strategy Level on Business Day (t) divided by the Leverage Strategy Level on Business Day (t-1).

**Example of Calculation of Hedging Fee Factor and Cash Settlement Amount**

*The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.*

Assuming an investor purchases the following Certificates at the Issue Price:

| | |
|---|---|
| Underlying Stock: | **Ordinary shares of Venture Corporation Limited** |
| Expected Listing Date: | **01/02/2021** |
| Expiry Date: | **16/02/2021** |
| Initial Reference Level: | **1,000** |
| Initial Exchange Rate: | **1** |
| Final Reference Level: | **1,200** |
| Final Exchange Rate: | **1** |
| Issue Price: | **0.80 SGD** |
| Notional Amount per Certificate: | **0.80 SGD** |
| Management Fee (p.a.): | **0.40%** |
| Gap Premium (p.a.): | **6.90%** |
| Strike Level: | Zero |

**Hedging Fee Factor**

Hedging Fee Factor on the $n^{th}$ Exchange Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Exchange Business Day):

$$\mathrm{HFF}\ (1)\ =\ \mathrm{HFF}\ (0)\ \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right)$$

$$\mathrm{HFF}\ (1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\mathrm{HFF}\ (1) = 100\% \times 99.9989\% \times 99.9808\% \approx 99.9797\%$$

Assuming $2^{nd}$ Exchange Business Day falls 3 Calendar Days after $1^{st}$ Exchange Business Day:

$$\mathrm{HFF}\ (2) = \mathrm{HFF}\ (1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

HFF (2) = 99.9797% × 99.9967% × 99.9425% ≈ 99.9189%

The same principle applies to the following Exchange Business Days:

$$\mathrm{HFF}\ (n) = \mathrm{HFF}\ (n-1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6962% as illustrated below:

| Date | HFF |
|---|---|
| 2/1/2021 | 100.0000% |
| 2/2/2021 | 99.9797% |
| 2/3/2021 | 99.9594% |
| 2/4/2021 | 99.9392% |
| 2/5/2021 | 99.9189% |
| 2/8/2021 | 99.8581% |
| 2/9/2021 | 99.8379% |
| 2/10/2021 | 99.8176% |
| 2/11/2021 | 99.7974% |
| 2/12/2021 | 99.7772% |
| 2/15/2021 | 99.7165% |
| 2/16/2021 | 99.6962% |

**Cash Settlement Amount**

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6962%

= 119.64%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

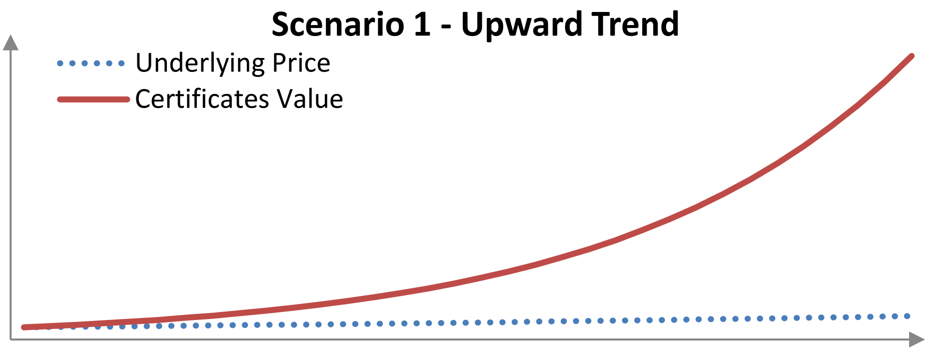
= 119.64% x 0.80 SGD

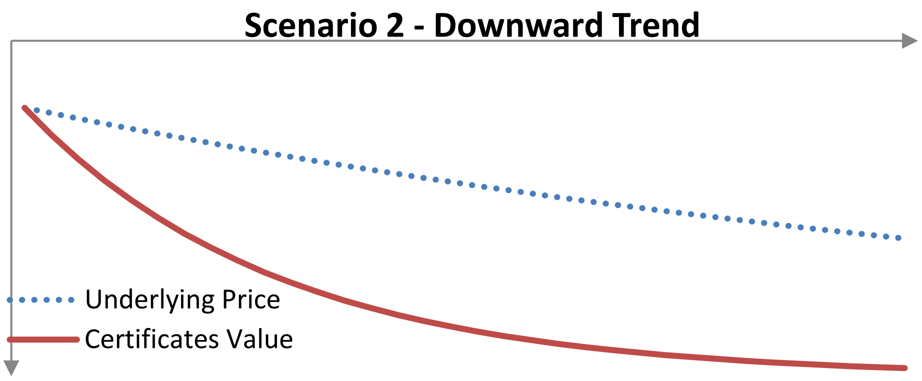
**= 0.957 SGD**

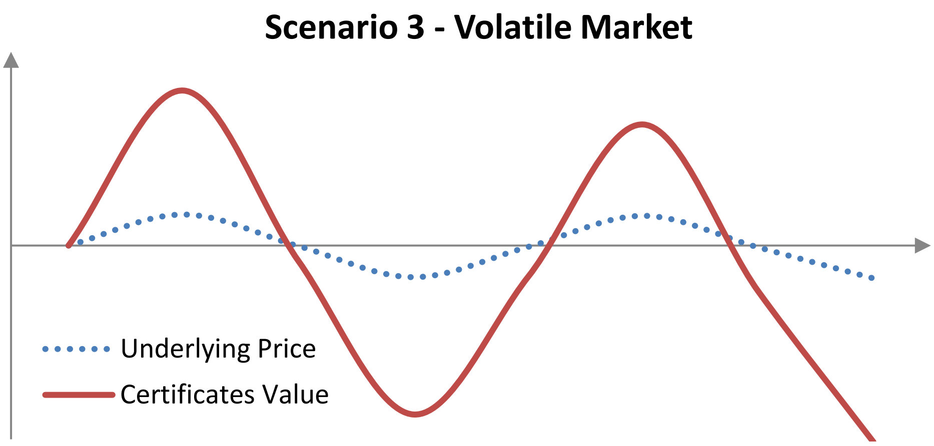
**Illustration on how returns and losses can occur under different scenarios**

*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.*

1. Illustrative examples



2. Numerical Examples

**Scenario 1 – Upward Trend**

| Underlying | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Value at end of day | 10,000.00 | 10,200.00 | 10,404.00 | 10,612.08 | 10,824.32 | 11,040.81 |
| Accumulated Return | | 2.00% | 4.04% | 6.12% | 8.24% | 10.41% |

| Value of the Certificates | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Price at end of day | 0.80 | 0.88 | 0.97 | 1.06 | 1.17 | 1.29 |
| Accumulated Return | | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

**Scenario 2 – Downward Trend**

| Underlying | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | -2.00% | -2.00% | -2.00% | -2.00% | -2.00% |
| Value at end of day | 10,000.00 | 9,800.00 | 9,604.00 | 9,411.92 | 9,223.68 | 9,039.21 |
| Accumulated Return | | -2.00% | -3.96% | -5.88% | -7.76% | -9.61% |

| Value of the Certificates | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | -10.00% | -10.00% | -10.00% | -10.00% | -10.00% |
| Price at end of day | 0.80 | 0.72 | 0.65 | 0.58 | 0.52 | 0.47 |
| Accumulated Return | | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

**Scenario 3 – Volatile Market**

| Underlying | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | 2.00% | -2.00% | -2.00% | 2.00% | 2.00% |
| Value at end of day | 10,000.00 | 10,200.00 | 9,996.00 | 9,796.08 | 9,992.00 | 10,191.84 |
| Accumulated Return | | 2.00% | -0.04% | -2.04% | -0.08% | 1.92% |

| Value of the Certificates | | | | | | |
|---|---|---|---|---|---|---|
| | Day 0 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |
| Daily Return | | 10.00% | -10.00% | -10.00% | 10.00% | 10.00% |
| Price at end of day | 0.80 | 0.88 | 0.79 | 0.71 | 0.78 | 0.86 |
| Accumulated Return | | 10.00% | -1.00% | -10.90% | -1.99% | 7.81% |

**Description of Air Bag Mechanism**

The Certificates integrate an "Air Bag Mechanism" which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

In accordance with the Air Bag Mechanism timeline below, when the Air Bag triggers, the following typically occurs:

- Observation Period: the price of the Underlying Stock is observed and its minimum price is recorded (i) during 15 minutes of continuous trading after the Air Bag is triggered, or (ii) until Market Close if there is 15 minutes (or less) of continuous trading until Market Close when the Air Bag is triggered; and

- Reset Period: thereafter, the Leverage Strategy is reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy.

  During the Observation Period and Reset Period, trading of Certificates is suspended for **at least** 30 minutes of continuous trading after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period. The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

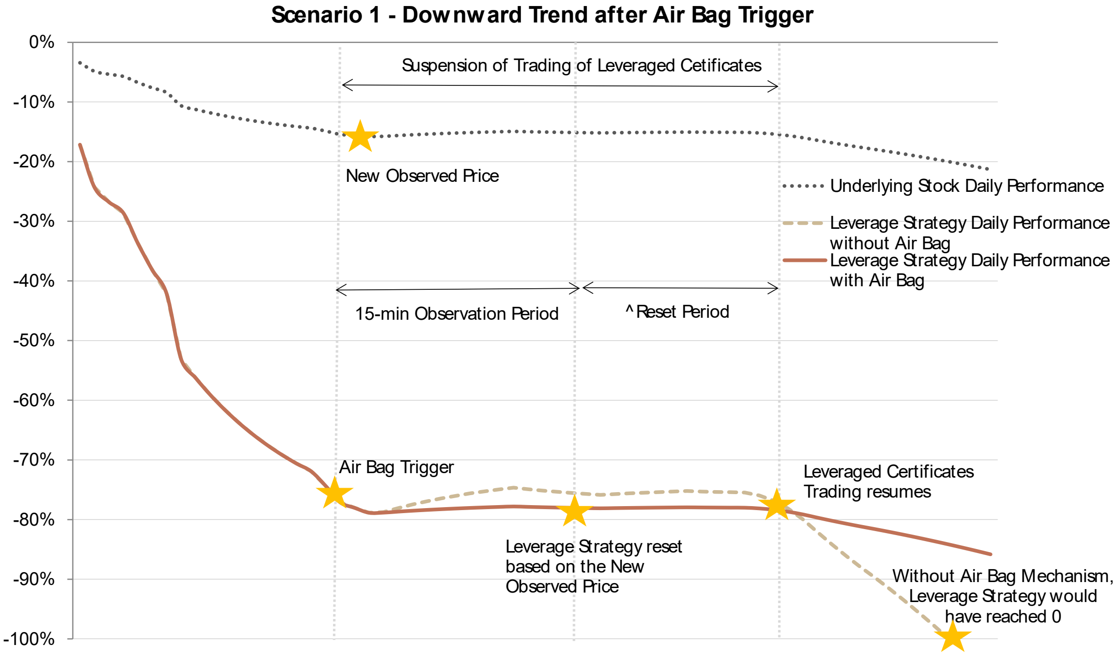
  For the avoidance of doubt, if the Air Bag Mechanism was triggered with more than 60 minutes of continuous trading before Market Close, trading of Certificates will resume the same trading day after the Reset Period has elapsed, subject to the SGX-ST's approval to resume trading. If the Air Bag Mechanism was triggered between 45 minutes and 60 minutes of continuous trading before Market Close, trading of Certificates may or may not resume the same trading day after the Reset Period has elapsed. If the Air Bag Mechanism was triggered with only 45 minutes (or less) of continuous trading before Market Close, trading of Certificates resumes on the next trading day.

With **Market Close** defined as:

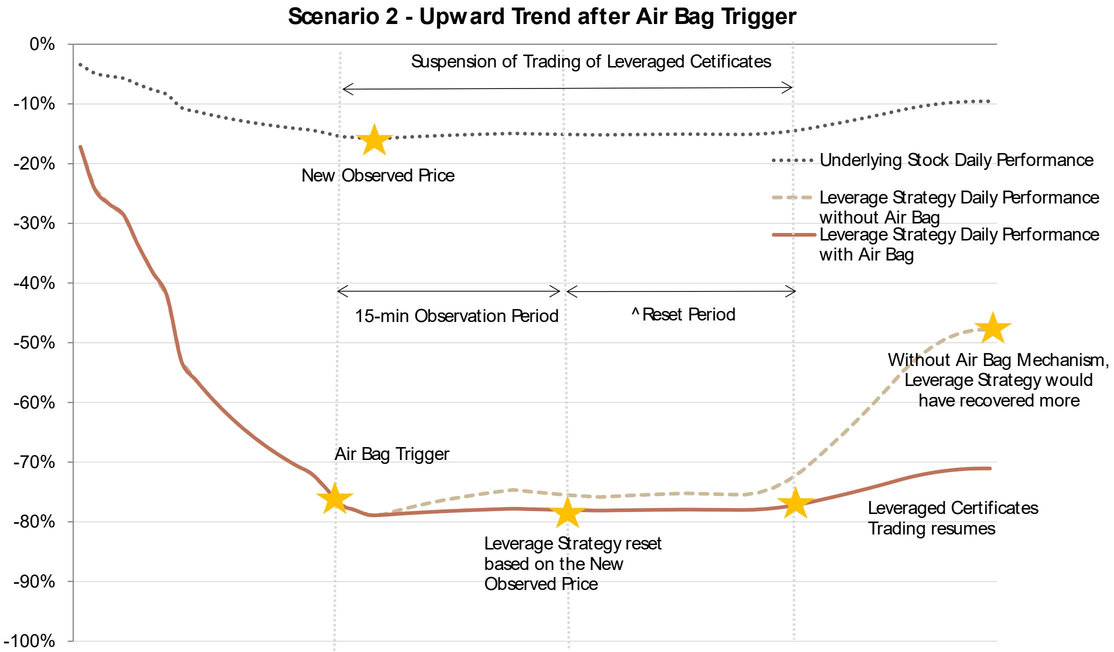
- Underlying Stock closing time with respect to the Observation Period including the closing auction session

- The sooner between Underlying Stock closing time of continuous trading and SGX-ST closing time of continuous trading with respect to the resumption of trading

<u>Illustrative examples of the Air Bag Mechanism</u>[9]




^ The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.




^ The Reset Period (and consequently the resumption of trading) is subject further to SGX-ST's requirements, including at least 30 minutes from the time of publication of an announcement on the exchange in respect of the Air Bag Mechanism being triggered, and at least 15 minutes after the SGX-ST grants an approval to resume trading, whichever is later, rounded to the next quarter of an hour.

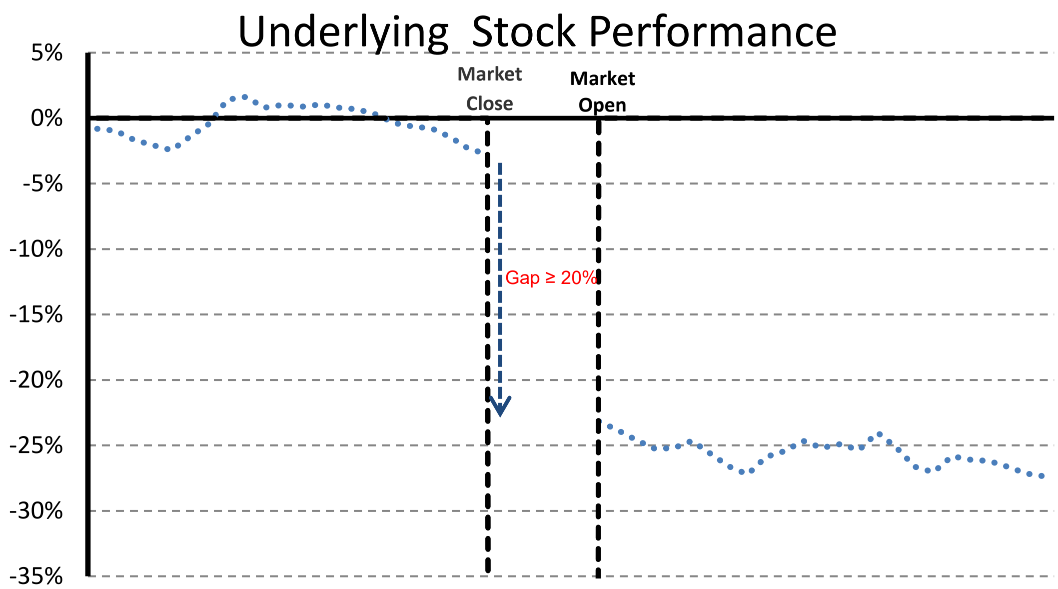
[9] The illustrative examples are not exhaustive.

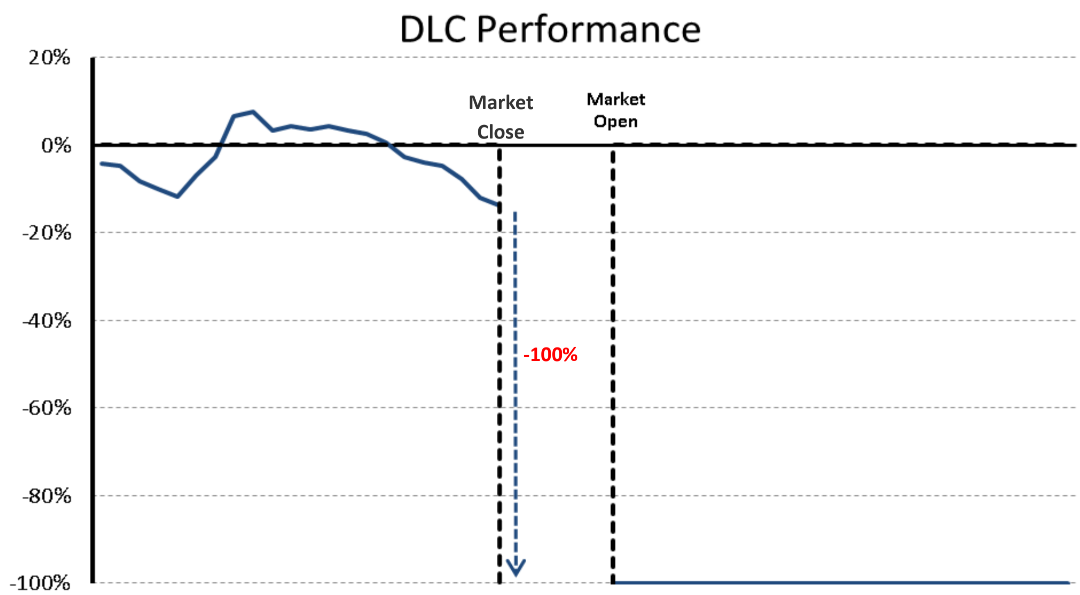
**Scenarios where the investor may lose the entire value of the investment**

*The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.*

<u>*Scenario 1 – Overnight fall of the Underlying Stock*</u>

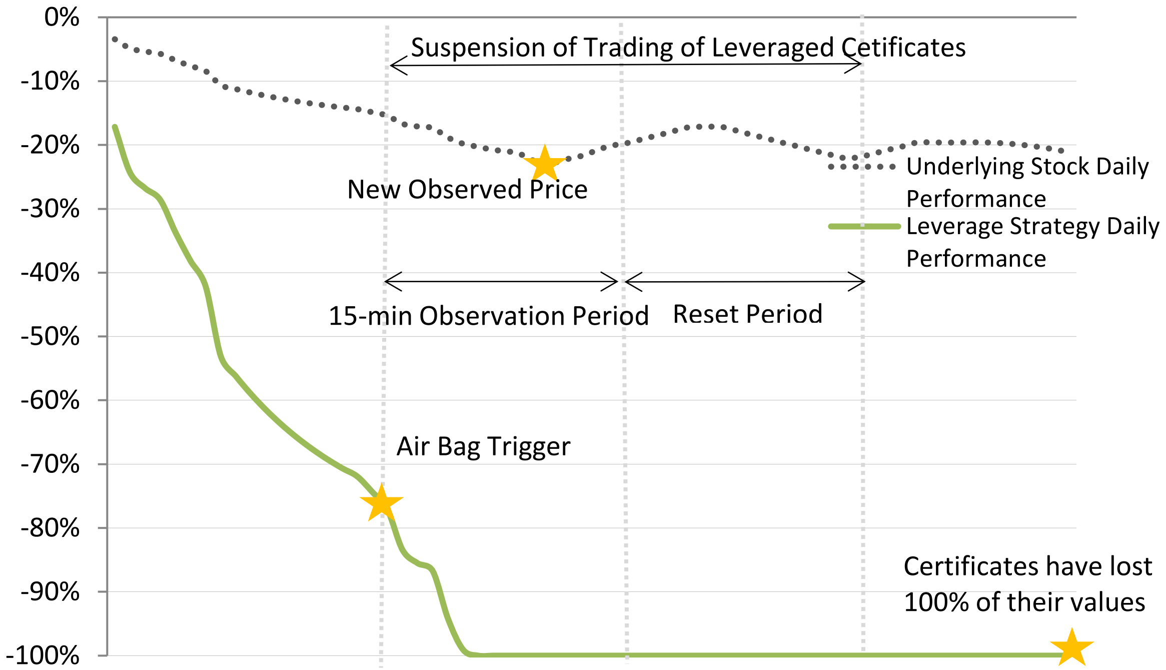
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more below the previous day closing price, the Air Bag Mechanism would only be triggered when the market (in respect of which the Underlying Stock is listed) opens the following day (including pre-opening trading session and extended auction hours, if applicable), and the Certificates would lose their entire value in such event.



*Scenario 2 – Sharp intraday fall of the Underlying Stock*

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag events have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



**Examples and illustrations of adjustments due to certain corporate actions**

*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters*.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event the Observation Date of the Leverage Reset Time (t) is an ex-date with respect to a corporate action related to the Underlying Stock, and the immediately preceding Leverage Reset Time r(t) is at the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto), the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Leverage Reset Time (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{\mathrm{r(t)}}}\right] \times \frac{1}{1+M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

**M** is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

**R** is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. <u>Stock split</u>

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S}_{\mathrm{r(t)}}$ = \$100

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1+1} = 50\%$$

As a consequence:

$\mathrm{LR_{r(t),t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = 10\%$

| $\mathrm{S_{r(t)}}$ | $\mathrm{S_{r(t)}} \times Rfactor_t$ | $\mathrm{S_t}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 50 | 51 | 2% |

| Value of the Certificate r(t) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 0.80 | 0.88 | 10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $42.5, which is 15% below $50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$\mathrm{S_{r(t)}}$ = $100

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{r(t),t}} = \text{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = 5\%$$

| $\mathrm{S_{r(t)}}$ | $\mathrm{S_{r(t)}} \times Rfactor_t$ | $\mathrm{S_t}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 200 | 202 | 1% |

| Value of the Certificate r(t) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 0.80 | 0.84 | 5% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $170, which is 15% below $200, the Underlying Stock Reference Price.

3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of $40.

$\mathrm{S_{r(t)}}$ = $100

$\mathrm{S_t}$ = $84

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{r(t),t}} = \text{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = 25\%$$

| $\mathrm{S_{r(t)}}$ | $\mathrm{S_{r(t)}} \times Rfactor_t$ | $\mathrm{S_t}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 80 | 84 | 5% |

| Value of the Certificate r(t) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 0.80 | 1.00 | 25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $68, which is 15% below $80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$\mathrm{S}_{\mathrm{r(t)}}$ = $100

$\mathrm{S}_{\mathrm{t}}$ = $85

$\mathrm{Div}_{\mathrm{t}} = \$0$

$\mathrm{DivExc}_{\mathrm{t}} = \$0$

R = $0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{r(t),t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = 10\%$$

| $\mathrm{S}_{\mathrm{r(t)}}$ | $\mathrm{S}_{\mathrm{t(t)}} \times Rfactor_t$ | $\mathrm{S}_{\mathrm{t}}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 83.33 | 85 | 2% |

| Value of the Certificate r(t) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 0.80 | 0.88 | 10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $70.83, which is 15% below $83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of $20 (net of taxes) paid in respect of each stock.

$\mathrm{S}_{\mathrm{r(t)}}$ = $100

$S_t$ = \$84

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$20$

R = \$0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1+0} = 80\%$$

As a consequence:

$$\mathrm{LR_{r(t),t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{r(t)}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = 25\%$$

| $\mathrm{S_{r(t)}}$ | $\mathrm{S_{r(t)-}} \times Rfactor_t$ | $\mathrm{S_t}$ | Adjusted Underlying Stock Performance |
|---|---|---|---|
| 100 | 80 | 84 | 5% |

| Value of the Certificate r(t) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|---|---|---|
| 0.80 | 1.00 | 25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

## INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of the SGX-ST at http://www.sgx.com. The Issuer has not independently verified any of such information.*

Venture Manufacturing (S) Ltd ("**Venture**" or the "**Company**") was incorporated in 1984 to provide contract manufacturing services to companies in the electronics and computer-related industries. In 1989, the Company formed the Venture Group with the merger and acquisition of Multitech Systems Pte Ltd and Technocom Systems Sdn Bhd. The Venture group comprises about 30 companies with global clusters of excellence in South-East Asia, North-East Asia, the Americas and Europe.

Venture offers high value-added and highly efficient manufacturing services to MNCs using state-of-the-art manufacturing process technology and test development capability. In addition, Venture provides an excellent range of pre-manufacturing services including design, prototyping and engineering services, as well as post-manufacturing services including after-sales repairs, customisation and fulfillment logistics.

Venture Manufacturing (Singapore) Ltd changed its name to Venture Corporation Limited wef 17 May 2002.

The information set out in the Appendix to this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022 and has been extracted and reproduced from an announcement by the Company released on 5 April 2023 in relation to the same. Further information relating to the Company may be located on the web-site of the SGX-ST at http://www.sgx.com.

## INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

UBS AG, acting through its London Branch, has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

| | | | |
|---|---|---|---|
| (a) | Maximum bid and offer spread | : | (i) when the best bid price of the Certificate is S$10 and below: 10 ticks or S$0.20 whichever is greater; and<br>(ii) when the best bid price of the Certificate is above S$10: 5% of the best bid price of the Certificate. |
| (b) | Minimum quantity subject to bid and offer spread | : | 10,000 Certificates |
| (c) | Last Trading Day for Market Making | : | The date falling 5 Business Days immediately preceding the Expiry Date |

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) where the Certificates are suspended from trading for any reason;

(iv) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(v) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(vi) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(vii) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(viii) if the stock market experiences exceptional price movement and volatility;

(ix) when it is a public holiday in Singapore and/or the SGX-ST is not open for dealings; and

(x) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Business Day immediately preceding the Expiry Date.

## PLACING AND SALE

### General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

### United Kingdom

In relation to each tranche of Certificates, the Issuer has represented, warranted and agreed that:

(a) No deposit-taking: in relation to any Certificates having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Certificates other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Certificates would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) Financial Promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not or would not, if the Issuer was not an authorised person, apply to the Issuer; and

(c) General Compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not offered, sold or otherwise made available such Certificates to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

a) if the Supplemental Listing Document in relation to the Certificates specifies an offer of those Certificates may be made other than pursuant to Article 1(4) of the UK Prospectus Regulation in the United Kingdom (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Certificates which either (i) has been approved by the UK Financial Conduct Authority ("**FCA**"), or (ii) is to be treated as if it had been approved by the FCA in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation); or

d) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Certificates to the public referred to in (a) to (c) above shall require the publication of a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Certificates to the public" in relation to any products in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

**United States of America**

The Certificates have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Certificates, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Certificates, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. The Certificates will not be offered, sold or delivered within the United States or to U.S. persons. As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means (i) any citizen or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, (ii) any estate or trust the income of which is subject to United States income taxation regardless of its source, (iii) "U.S. person" as such term is defined in (a) Regulation S under the Securities Act or (b) the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations promulgated by the U.S. Commodity Futures Trading Commission ("**CFTC**") pursuant to the U.S. Commodity Exchange Act of 1936, as amended, or (iv) a person other than a "Non-United States Person" as defined in CFTC Rule 4.7, in each case, as such definition is amended, modified or supplemented from time to time.

**Prohibition of Sales to European Economic Area**

If the applicable Supplemental Listing Document in respect of any Certificates specifies the "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", the Issuer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**");

(ii) a customer within the meaning of Directive 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

**PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS REGULATION**

If the Supplemental Listing Document specifies "Prohibition of Sales to European Economic Area Retail Investors" as "Not Applicable", in relation to each member state of the European

Economic Area (each, a "**Relevant State**"), the Issuer has represented, warranted and agreed that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Base Listing Document as completed by this Supplemental Listing Document to the public in that Relevant State except that it may make an offer of such Certificates to the public in that Relevant State:

(a) Approved listing document: if the Supplemental Listing Document in relation to the Certificates specifies that an offer of those Certificates may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a listing document in relation to such Certificates which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such listing document has subsequently been completed by the Supplemental Listing Document contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such listing document or Supplemental Listing Document, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) Fewer than 150 offered: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Issuer for any such offer; or

(d) Other exempt offers: at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (b) to (d) above shall require the Issuer to publish a listing document pursuant to Article 3 of the Prospectus Regulation or supplement a listing document pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Certificates to the public**" in relation to any Certificates in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State.

**Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with, the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

**Hong Kong**

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued, or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Certificates, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 267 of the Base Listing Document.

1. Save as disclosed in the Base Listing Document and herein, there is no litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates to which the Issuer is a party nor, to the best of its knowledge and belief, is there any threatened litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Certificates which would in either case jeopardise its ability to discharge its obligations in respect of the Certificates.

2. UBS AG, Singapore Branch at 9 Penang Road, Singapore 238459, has been authorised to accept, on behalf of the Issuer, service of process and any other notices required to be served on the Issuer. Any notices required to be served on the Issuer should be sent to UBS AG, Singapore Branch at the above address for the attention of Han-Kiat Tan, Legal & Compliance.

3. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in board lots of 100 Certificates in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

4. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

5. There has been no adverse change, material in the context of the issue of the Certificates, in the financial position of the Issuer since 31 March 2023.

6. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and may be material to the issue of the Certificates:

   (a) the Master Instrument; and

   (b) the Master Warrant Agent Agreement.

   None of the directors of the Issuer has any direct or indirect interest in any of the above contracts.

7. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of Allen & Gledhill LLP at One Marina Boulevard #28-00, Singapore 018989, during the period of 14 days from the date of this document:

(a) the articles of association of the Issuer;

(b) the latest financial reports (including the notes thereto) of the Issuer;

(c) the Base Listing Document; and

(d) this document.

# APPENDIX

# REPRODUCTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 OF VENTURE CORPORATION LIMITED AND ITS SUBSIDIARIES

# Independent Auditor's Report

To the Members of Venture Corporation Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Venture Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 96 to 175.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

# Independent Auditor's Report

To the Members of Venture Corporation Limited

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Impairment review of goodwill allocated to GES International Group's cash-generating unit ("CGU")**<br><br>The aggregated goodwill of $639.7 million constituted 17% of the Group's total assets as at 31 December 2022. The Group is required to annually test goodwill for impairment. This assessment requires the exercise of significant judgement about future market conditions, including growth rates and discount rates, particularly those affecting the business of GES International Group, of which the goodwill contributed 15% and 90% of the Group's total assets and goodwill respectively.<br><br>The key assumptions in the impairment test are disclosed in Note 16 to the financial statements.<br><br>Management has assessed that there is no impairment of goodwill as the recoverable amount is higher than the carrying value as at 31 December 2022. | Our audit procedures focused on evaluating and challenging the key assumptions used by management, as part of the value-in-use computations, in conducting the impairment review for goodwill allocated to GES International Group's CGU.<br><br>These procedures included:<br><br>• using our internal valuation specialists to evaluate the appropriateness of the valuation model and the reasonableness of the expectations for the key macro-economic assumptions used in the impairment analysis, in particular the discount rates and long-term growth rates, by comparing the expectations to those used by management and its external valuation specialist;<br><br>• challenging the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations, including retrospective reviews of prior year's forecasts against actual results; and<br><br>• stress testing key assumptions, assessing the impact on the recoverable amounts based on sensitivity analysis, and understanding the degree to which assumptions would need to move before impairment would be triggered.<br><br>Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.<br><br>We have also assessed and reviewed the adequacy and appropriateness of the disclosures made in the financial statements. |

# Independent Auditor's Report

To the Members of Venture Corporation Limited

**Information Other than the Financial Statements and Auditor's Report Thereon**

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

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

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

**Responsibilities of Management and Directors for the Financial Statements**

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

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

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

# Independent Auditor's Report

To the Members of Venture Corporation Limited

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

# Independent Auditor's Report

To the Members of Venture Corporation Limited

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Xu Jun.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

20 March 2023

# Statements of Financial Position

31 December 2022

| | Note | The Group 2022 $'000 | The Group 2021 $'000 | The Company 2022 $'000 | The Company 2021 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | 812,593 | 807,934 | 93,161 | 379,953 |
| Trade receivables | 7 | 906,378 | 829,245 | 13,918 | 12,495 |
| Other receivables and prepayments | 8 | 37,900 | 30,880 | 5,934 | 5,507 |
| Contract assets | 9 | 10,735 | 20,033 | – | – |
| Inventories | 10 | 1,065,300 | 1,049,429 | 91,116 | 83,950 |
| Trade receivables due from subsidiaries | 11 | – | – | 162,912 | 84,467 |
| Other receivables due from subsidiaries | 11 | – | – | 519 | 467 |
| Total current assets | | 2,832,906 | 2,737,521 | 367,560 | 566,839 |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 11 | – | – | 1,227,849 | 1,227,849 |
| Investment in associate | | 799 | 628 | – | – |
| Other financial assets | 12 | 25,429 | 25,454 | 9,041 | 8,760 |
| Property, plant and equipment | 13 | 224,934 | 215,169 | 34,383 | 34,084 |
| Right-of-use assets | 14 | 22,745 | 12,444 | 10,327 | 3,430 |
| Intangible assets | 15 | 1,053 | 623 | – | – |
| Goodwill | 16 | 639,708 | 639,708 | – | – |
| Deferred tax assets | 17 | 3,829 | 3,714 | – | – |
| Total non-current assets | | 918,497 | 897,740 | 1,281,600 | 1,274,123 |
| **Total assets** | | 3,751,403 | 3,635,261 | 1,649,160 | 1,840,962 |

See accompanying notes to financial statements.

# Statements of Financial Position

31 December 2022

| | Note | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 18 | 533,137 | 643,591 | 42,973 | 53,102 |
| Other payables and accrued expenses | 19 | 173,424 | 156,361 | 31,157 | 27,161 |
| Contract liabilities | 20 | 121,211 | 73,052 | 9,155 | 9,182 |
| Lease liabilities | 21 | 10,800 | 8,731 | 6,299 | 4,360 |
| Trade payables due to subsidiaries | 11 | – | – | 931 | 1,795 |
| Other payables due to subsidiaries | 11 | – | – | 17,852 | 17,865 |
| Income tax payable | | 54,567 | 25,764 | 6,753 | 4,837 |
| Total current liabilities | | 893,139 | 907,499 | 115,120 | 118,302 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 17 | 1,888 | 3,512 | – | – |
| Lease liabilities | 21 | 13,485 | 4,800 | 5,462 | 42 |
| Total non-current liabilities | | 15,373 | 8,312 | 5,462 | 42 |
| **Capital and reserves** | | | | | |
| Share capital | 22 | 838,280 | 832,827 | 838,280 | 832,827 |
| Treasury shares | 22 | (15,535) | (16,061) | (15,535) | (16,061) |
| Share-based awards reserve | 22 | 3,827 | 5,077 | 3,827 | 5,077 |
| Investments revaluation reserve | 22 | 1,914 | 3,307 | 3,259 | 2,978 |
| Foreign exchange translation reserve | 23 | (87,215) | (56,974) | – | – |
| Other reserves | 22 | 28 | (173) | (7,306) | (5,891) |
| Accumulated profits | | 2,098,385 | 1,948,349 | 706,053 | 903,688 |
| Equity attributable to owners of the Company | | 2,839,684 | 2,716,352 | 1,528,578 | 1,722,618 |
| Non-controlling interests | | 3,207 | 3,098 | – | – |
| Total equity | | 2,842,891 | 2,719,450 | 1,528,578 | 1,722,618 |
| **Total liabilities and equity** | | 3,751,403 | 3,635,261 | 1,649,160 | 1,840,962 |

See accompanying notes to financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

| | Note | The Group 2022 $'000 | The Group 2021 $'000 |
|---|---|---|---|
| **Revenue** | 25 | 3,863,721 | 3,107,457 |
| Changes in finished goods, work in progress and raw materials used | | (2,923,640) | (2,297,894) |
| Employee benefits expense | 29 | (361,613) | (327,350) |
| Depreciation and amortisation expense | | (32,851) | (36,879) |
| Research and development expense | | (16,700) | (19,328) |
| Foreign currency exchange gain | | 3,447 | 4,215 |
| Other operating expenses | | (94,576) | (79,588) |
| Other income | 26 | 2,072 | 2,410 |
| Investment revenue | 27 | 9,232 | 6,769 |
| Finance costs | | (517) | (423) |
| Share of profit of associate | | 321 | 199 |
| **Profit before income tax** | | 448,896 | 359,588 |
| Income tax expense | 28 | (78,782) | (47,266) |
| **Profit for the year** | 29 | 370,114 | 312,322 |
| **Other comprehensive income** | | | |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Fair value (loss) gain on other financial assets, through other comprehensive income (FVTOCI) | | (1,393) | 1,508 |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | 23 | (30,629) | 29,385 |
| **Other comprehensive income for the year, net of tax** | | (32,022) | 30,893 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 338,092 | 343,215 |

See accompanying notes to financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

| | Note | The Group 2022 $'000 | The Group 2021 $'000 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | | 369,617 | 312,051 |
| Non-controlling interests | | 497 | 271 |
| | | 370,114 | 312,322 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 337,983 | 342,796 |
| Non-controlling interests | | 109 | 419 |
| | | 338,092 | 343,215 |
| | | **Cents** | |
| **Basic earnings per share** | 30 | 127.1 | 107.5 |
| **Fully diluted earnings per share** | 30 | 126.8 | 107.0 |

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended 31 December 2022

| The Group | Note | Share capital $'000 | Treasury shares $'000 | Share-based awards reserve $'000 | Investments revaluation reserve $'000 | Foreign exchange translation reserve $'000 | Other reserves $'000 | Accumulated profits $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | | 826,980 | (16,674) | 5,137 | 1,799 | (86,211) | 1,016 | 1,854,403 | 2,586,450 | 2,679 | 2,589,129 |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | 312,051 | 312,051 | 271 | 312,322 |
| Other comprehensive income for the year | | – | – | – | 1,508 | 29,237 | – | – | 30,745 | 148 | 30,893 |
| Total | | – | – | – | 1,508 | 29,237 | – | 312,051 | 342,796 | 419 | 343,215 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | | | | |
| Issue of shares | 22 | 5,847 | – | (123) | – | – | – | – | 5,724 | – | 5,724 |
| Treasury shares reissued pursuant to equity compensation plans | 22 | – | 3,497 | (1,362) | – | – | (2,135) | – | – | – | – |
| Purchase of treasury shares | 22 | – | (2,884) | – | – | – | – | – | (2,884) | – | (2,884) |
| RSP/Share options lapsed | | – | – | (533) | – | – | – | 533 | – | – | – |
| Recognition of share-based payments | 24 | – | – | 1,958 | – | – | – | – | 1,958 | – | 1,958 |
| Final tax-exempt dividend paid in respect of the previous financial year | 33 | – | – | – | – | – | – | (145,182) | (145,182) | – | (145,182) |
| Interim tax-exempt dividend paid in respect of the current financial year | 33 | – | – | – | – | – | – | (72,640) | (72,640) | – | (72,640) |
| Appropriation to reserve fund | | – | – | – | – | – | 946 | (816) | 130 | – | 130 |
| Total | | 5,847 | 613 | (60) | – | – | (1,189) | (218,105) | (212,894) | – | (212,894) |
| Balance at 31 December 2021 | | 832,827 | (16,061) | 5,077 | 3,307 | (56,974) | (173) | 1,948,349 | 2,716,352 | 3,098 | 2,719,450 |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | 369,617 | 369,617 | 497 | 370,114 |
| Other comprehensive income for the year | | – | – | – | (1,393) | (30,241) | – | – | (31,634) | (388) | (32,022) |
| Total | | – | – | – | (1,393) | (30,241) | – | 369,617 | 337,983 | 109 | 338,092 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | | | | |
| Issue of shares | 22 | 5,453 | – | (133) | – | – | – | – | 5,320 | – | 5,320 |
| Treasury shares reissued pursuant to equity compensation plans | 22 | – | 3,390 | (1,975) | – | – | (1,415) | – | – | – | – |
| Purchase of treasury shares | 22 | – | (2,864) | – | – | – | – | – | (2,864) | – | (2,864) |
| Share options lapsed | | – | – | (150) | – | – | – | 150 | – | – | – |
| Recognition of share-based payments | 24 | – | – | 1,008 | – | – | – | – | 1,008 | – | 1,008 |
| Final tax-exempt dividend paid in respect of the previous financial year | 33 | – | – | – | – | – | – | (145,337) | (145,337) | – | (145,337) |
| Interim tax-exempt dividend paid in respect of the current financial year | 33 | – | – | – | – | – | – | (72,778) | (72,778) | – | (72,778) |
| Appropriation to reserve fund | | – | – | – | – | – | 1,616 | (1,616) | – | – | – |
| Total | | 5,453 | 526 | (1,250) | – | – | 201 | (219,581) | (214,651) | – | (214,651) |
| Balance at 31 December 2022 | | 838,280 | (15,535) | 3,827 | 1,914 | (87,215) | 28 | 2,098,385 | 2,839,684 | 3,207 | 2,842,891 |

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended 31 December 2022

| The Company | Note | Share capital $'000 | Treasury shares $'000 | Share-based awards reserve $'000 | Investments revaluation reserve $'000 | Other reserves $'000 | Accumulated profits $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | | 826,980 | (16,674) | 5,137 | 1,329 | (3,886) | 799,772 | 1,612,658 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 321,205 | 321,205 |
| Other comprehensive income for the year | | – | – | – | 1,649 | – | – | 1,649 |
| Total | | – | – | – | 1,649 | – | 321,205 | 322,854 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Issue of shares | 22 | 5,847 | – | (123) | – | – | – | 5,724 |
| Treasury shares reissued pursuant to equity compensation plans | 22 | – | 3,497 | (1,362) | – | (2,135) | – | – |
| Purchase of treasury shares | 22 | – | (2,884) | – | – | – | – | (2,884) |
| RSP/Share options lapsed | 22 | – | – | (533) | – | – | 533 | – |
| Recognition of share-based payments | 24 | – | – | 1,958 | – | – | – | 1,958 |
| Appropriation to reserve fund | | – | – | – | – | 130 | – | 130 |
| Final tax-exempt dividend paid in respect of the previous financial year | 33 | – | – | – | – | – | (145,182) | (145,182) |
| Interim tax-exempt dividend paid in respect of the current financial year | 33 | – | – | – | – | – | (72,640) | (72,640) |
| Total | | 5,847 | 613 | (60) | – | (2,005) | (217,289) | (212,894) |
| Balance at 31 December 2021 | | 832,827 | (16,061) | 5,077 | 2,978 | (5,891) | 903,688 | 1,722,618 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | | – | – | – | – | – | 20,330 | 20,330 |
| Other comprehensive income for the year | | – | – | – | 281 | – | – | 281 |
| Total | | – | – | – | 281 | – | 20,330 | 20,611 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Issue of shares | 22 | 5,453 | – | (133) | – | – | – | 5,320 |
| Treasury shares reissued pursuant to equity compensation plans | 22 | – | 3,390 | (1,975) | – | (1,415) | – | – |
| Purchase of treasury shares | 22 | – | (2,864) | – | – | – | – | (2,864) |
| Share options lapsed | 22 | – | – | (150) | – | – | 150 | – |
| Recognition of share-based payments | 24 | – | – | 1,008 | – | – | – | 1,008 |
| Final tax-exempt dividend paid in respect of the previous financial year | 33 | – | – | – | – | – | (145,337) | (145,337) |
| Interim tax-exempt dividend paid in respect of the current financial year | 33 | – | – | – | – | – | (72,778) | (72,778) |
| Total | | 5,453 | 526 | (1,250) | – | (1,415) | (217,965) | (214,651) |
| Balance at 31 December 2022 | | 838,280 | (15,535) | 3,827 | 3,259 | (7,306) | 706,053 | 1,528,578 |

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| **Operating activities** | | |
| Profit before income tax | 448,896 | 359,588 |
| Adjustments for: | | |
| Share of profit of associate | (321) | (199) |
| Allowance for inventory provisions | 767 | 7,948 |
| Depreciation of property, plant and equipment | 21,335 | 25,863 |
| Depreciation of right-of-use assets | 11,097 | 10,768 |
| Amortisation of intangible assets | 419 | 248 |
| Net re-measurement of expected credit loss | 405 | 162 |
| Interest income | (8,918) | (5,443) |
| Dividend income | (1,048) | (791) |
| Interest expense | 517 | 423 |
| Share-based payments expense | 1,008 | 1,958 |
| Fair value adjustment on derivative instrument | (676) | 645 |
| Loss (Gain) on disposal of plant and equipment, net | 55 | (115) |
| Gain on disposal of other financial assets | (314) | (1,326) |
| Operating profit before working capital changes | 473,222 | 399,729 |
| Trade receivables | (82,408) | (112,477) |
| Other receivables, prepayments and contract assets | 2,514 | (14,507) |
| Inventories | (29,798) | (382,489) |
| Trade payables | (110,657) | 236,738 |
| Other payables, accrued expenses and contract liabilities | 67,783 | 31,192 |
| Cash generated from operations | 320,656 | 158,186 |
| Interest paid | (517) | (423) |
| Income tax paid | (51,054) | (55,928) |
| Net cash from operating activities | 269,085 | 101,835 |

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| **Investing activities** | | |
| Interest received | 8,364 | 5,162 |
| Dividend received from associate | 150 | 300 |
| Dividend received from other equity investments | 1,048 | 791 |
| Purchase of property, plant and equipment | (32,724) | (10,793) |
| Proceeds on disposal of plant and equipment | 195 | 367 |
| Addition of intangible assets | (872) | (567) |
| Proceeds from disposal of other financial assets | 314 | 2,651 |
| Purchase of other financial assets | (1,353) | – |
| Net cash used in investing activities | (24,878) | (2,089) |
| **Financing activities** | | |
| Dividends paid | (218,115) | (217,822) |
| Repayments of lease liabilities (Note A) | (11,069) | (10,858) |
| Proceeds from issuance of shares | 5,320 | 5,724 |
| Purchase of treasury shares | (2,864) | (2,765) |
| Net cash used in financing activities | (226,728) | (225,721) |
| Net increase (decrease) in cash and cash equivalents | 17,479 | (125,975) |
| Cash and cash equivalents at beginning of year | 807,934 | 928,740 |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | (12,820) | 5,169 |
| **Cash and cash equivalents at end of year (Note 6)** | 812,593 | 807,934 |

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

Note A: Reconciliation of liabilities arising from financing activities

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

| | | Non-cash changes | | | |
|---|---|---|---|---|---|
| | 1 January 2022 $'000 | Net lease liabilities additions $'000 | Foreign exchange movement $'000 | Financing cash flows $'000 | 31 December 2022 $'000 |
| Lease liabilities (Note 21) | 13,531 | 21,776 | 47 | (11,069) | 24,285 |

| | | Non-cash changes | | | |
|---|---|---|---|---|---|
| | 1 January 2021 $'000 | Net lease liabilities additions $'000 | Foreign exchange movement $'000 | Financing cash flows $'000 | 31 December 2021 $'000 |
| Lease liabilities (Note 21) | 20,950 | 2,790 | 649 | (10,858) | 13,531 |

See accompanying notes to financial statements.

# Notes to Financial Statements

31 December 2022

## 1 GENERAL

The Company (Registration No. 198402886H) is incorporated in the Republic of Singapore with its principal place of business and registered office at 5006 Ang Mo Kio Avenue 5, #05-01/12 TECHplace II, Singapore 569873. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.

The Company is a leading global provider of technology solutions, products and services. The principal activities of the Company are to provide manufacturing, product design and development, engineering and supply-chain management services.

The principal activities of the subsidiaries are disclosed in Note 11.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 20 March 2023.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING – These financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2022, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are mandatorily effective and are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior years.

(c) BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) BASIS OF CONSOLIDATION (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments: Recognition and Measurement*, or when applicable, the cost on initial recognition of an investment in an associate.

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

(d) BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) BUSINESS COMBINATIONS (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

(e) FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised in the statement of financial position when the Group or the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets**

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

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

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "investment revenue" line item.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Equity instruments designated as at FVTOCI (cont'd)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated profits.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (see Note 12).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "investment revenue" line item (Note 27). Fair value is determined in the manner described in Note 4(c)(v).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically:

- For financial assets measured at amortised cost and financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "foreign currency exchange gain (loss)" line item;

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from publicly available economic reports, independent rating agencies, financial analysts, various external sources of actual and forecast economic information that relate to the Group's core operations, as well as other publicly available financial information.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Significant increase in credit risk (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit assessment;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; or
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;

(b) A breach of contract, such as a default or past due event;

(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investments revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial assets (cont'd)**

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

**Financial liabilities and equity instruments**

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) FINANCIAL INSTRUMENTS (cont'd)

**Financial liabilities and equity instruments (cont'd)**

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "foreign currency exchange gain (loss)" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group and the Company has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

(f) LEASES

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) LEASES (cont'd)

The Group as lessee (cont'd)

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

Lease payments included in the measurement of the lease liability comprise:

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) LEASES (cont'd)

<u>The Group as lessee</u> (cont'd)

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(k).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' to the statement of profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(g) INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Factory buildings | – | 25 to 60 years |
| Leasehold land and buildings | – | 25 to 60 years (term of lease) |
| Machinery and equipment | – | 3 to 10 years |
| Leasehold improvements and renovations | – | 3 to 10 years |
| Office equipment, furniture and fittings | – | 3 to 10 years |
| Computer hardware | – | 3 years |
| Motor vehicles | – | 5 years |

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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

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

On disposal of a subsidiary or the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (j) INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately, such as computer software, are recorded at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives of 3 to 7 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. The Group has capitalised development expenditure as intangible assets and these are amortised using the straight-line method over its estimated useful life, which normally does not exceed three years.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired in a business combination

Customer relationships acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, customer relationships acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Customer relationships are amortised on a straight-line basis over their useful lives of 10 years.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – As at each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) ASSOCIATES – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5 *Non-current Asset Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) ASSOCIATES (cont'd)

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

The requirements of SFRS(I) 1-36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) SHARE-BASED PAYMENTS – The Group issues equity-settled share-based payments (comprising of share options and restricted shares) to qualifying employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair values determined at the grant date of the equity-settled share-based payments are expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based awards reserve.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the equity instruments are exercised. When the equity instruments are exercised, the carrying value of such instrument is transferred from the share-based awards reserve to share capital. When the vested equity instruments lapsed or are cancelled, the carrying value of such instrument is transferred from the share-based awards reserve to accumulated profits.

Details regarding the determination of the fair value of equity-settled share-based payments are disclosed in Note 24.

(o) GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group derives its revenue primarily from manufacturing services, design services and tooling.

Revenue is recognised over time for arrangements with customers for which:

- The Group's performance does not create an asset with an alternative use to the Group; and

- The Group has an enforceable right to payment for performance completed to date.

When one or both of the above conditions are not met, the Group recognises revenue when it has transferred control of the goods, which generally occurs upon delivery and passage of title to the customer.

For most of the Group's arrangement with customers, the individual manufactured product or service is capable of being distinct and is assessed as a separate performance obligation. In cases where the promise to transfer the individual good or service is not separately identifiable from other promises in the contract and is, therefore, not distinct, the contract is seen to contain only one performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied.

(i) Manufacturing services

When the Group has an alternative use for the goods produced or does not have a legally enforceable right to payment for work completed to date (inclusive of a reasonable profit margin for work in progress inventory), revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the control and significant risks and rewards of ownership of the goods;

- the Group has present right to payment for the goods transferred;

- the amount of revenue can be measured reliably; and

- it is probable that the economic benefits associated with the transaction will flow to the Group.

When the Group does not have an alternative use for the goods produced and has a legally enforceable right to payment (inclusive of a reasonable profit margin) for work completed to date, revenue is recognised over time.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) REVENUE RECOGNITION (cont'd)

(i) Manufacturing services (cont'd)

The Group also provides Non-Recurring Engineering ("NRE") services which may include (but are not limited to) procuring, setting up and qualifying manufacturing hardware for some of its customers as part of its manufacturing services. Once ready for use, the use and disposal of such manufacturing hardware is directed by the customers. If the criteria for over time revenue recognition is not met, revenue is recognised when the manufacturing hardware is ready to be used as per customer specifications for the mass production of customers' products. If the criteria for over time revenue recognition is met, revenue is recognised by reference to the stage of completion based on the cost-to-cost method.

The Group has reduced revenue based on products expected to be returned or rebates which customers are entitled to. The Group uses its accumulated historical experience to estimate the number of returns and the rebates using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the historical trends.

(ii) Design services and tooling

Revenue from design services and tooling is recognised over time by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows, using methods that best depict the transfer of control to the customer:

- Revenue from design services is recognised based on engineers' certification of each project's progress. When the Group has a right to consideration from a customer at an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group adopts the practical expedient to recognise revenue at the amount to which the entity has a right to invoice.

- Revenue from tooling contracts is recognised based on the cost-to-cost method.

A contract asset is recognised for the cumulative revenue recognised but not yet invoiced whilst a contract liability is recognised for advance payments from customers which the Group needs to perform work to satisfy the performance obligations.

<u>Dividend income</u>

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

<u>Interest income</u>

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) BORROWING COSTS – Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. No interest expense has been capitalised during the year.

(r) RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund ("CPF"), are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(s) EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(t) INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) INCOME TAX (cont'd)

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(u) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

# Notes to Financial Statements

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

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

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

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Prior to 1 January 2005, the Group treated certain goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

(v) CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# Notes to Financial Statements

31 December 2022

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### *(a) Critical judgements in applying the Group's accounting policies*

The following are the critical judgements, apart from those involving estimates, that management has made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

(i) Income tax

Management has assessed the achievability of the qualifying terms and conditions of the tax incentives awarded to the Company and some of its subsidiaries in the current and previous financial years, and is of the view that the Company and its subsidiaries will endeavour to satisfy all qualifying terms and conditions. Accordingly, tax provisions for the Group have been made on the basis that the tax incentives will be utilised.

As at 31 December 2022, income tax payable amounted to $54,567,000 (2021 : $25,764,000).

### *(b) Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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) Calculation of loss allowance

When measuring ECL, the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the loss arising on default is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

If the expected credit loss rate is increased (decreased) by 10%, as reflected by a change in credit provision rates by a factor of 1.1 in the case of an increase and 0.9 in the case of a decrease, expected credit loss allowance on trade receivables will increase (decrease) by $199,000 (2021 : $161,000).

The carrying amounts of trade and other receivables are disclosed in Notes 7, 8 and 11 respectively.

# Notes to Financial Statements

31 December 2022

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### (b) *Key sources of estimation uncertainty (cont'd)*

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. As the exercise is based on both prospective financial and non-financial information, it is highly subjective in nature. Accordingly, actual outcome is likely to be different from that forecasted since anticipated events frequently do not occur as expected and the variation may be material.

The carrying amounts of goodwill of the Group is disclosed in Note 16.

(iii) Allowances for inventories

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to be realised as estimated by management. These estimates take into consideration the fluctuations of selling prices or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying amount of inventories is disclosed in Note 10.

(iv) Provision for warranty

Provision for warranty is estimated by the Group based on historical claim experience and estimated potential rectification costs for the products sold that qualify under the contractual warranty periods. These are assessed as a percentage of sales and determined based on the claim experience, the likelihood of claims and risks arising from the contracts covered by the warranty. Other factors such as industry benchmarks and technological failure rates are also taken into consideration in the assessment. Significant judgement is involved in estimating the provision for warranty, especially for relatively new products.

The provision for warranty is disclosed in Note 19.

(v) Stage of completion in relation to revenue recognised over time

The Group recognises revenue from design services, tooling and certain manufacturing services over time by reference to the stage of completion of the contract. The stage of completion is determined using the method that best depicts the transfer of control to the customer as follows:

- Revenue from design services is recognised based on engineers' certification of each project's progress. When the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group adopts the practical expedient of recognising revenue at the amount which the Group has a right to invoice.

# Notes to Financial Statements

31 December 2022

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### *(b) Key sources of estimation uncertainty (cont'd)*

(v) Stage of completion in relation to revenue recognised over time (cont'd)

- Revenue from tooling contracts and certain manufacturing services are recognised based on the cost-to-cost method (i.e. at the percentage of incurred cost to date compared to total budgeted cost).

The stage of completion is estimated by the Group based on past experience and the knowledge of the engineers.

The revenue recognised and the related contract assets and contract liabilities are disclosed in Notes 25, 9 and 20 respectively.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### *(a) Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Financial assets | | | | |
| Amortised cost: | | | | |
| Cash and bank balances | 812,593 | 807,934 | 93,161 | 379,953 |
| Trade receivables | 906,378 | 829,245 | 13,918 | 12,495 |
| Trade receivables due from subsidiaries | – | – | 162,912 | 84,467 |
| Other receivables | 13,242 | 11,011 | 3,353 | 3,664 |
| Other receivables due from subsidiaries | – | – | 519 | 467 |
| | 1,732,213 | 1,648,190 | 273,863 | 481,046 |
| Derivative financial instruments (i) | 676 | – | 676 | – |
| Other financial assets at fair value | 25,429 | 25,454 | 9,041 | 8,760 |
| Total | 1,758,318 | 1,673,644 | 283,580 | 489,806 |
| Financial liabilities | | | | |
| Amortised cost: | | | | |
| Trade payables | 533,137 | 643,591 | 42,973 | 53,102 |
| Trade payables due to subsidiaries | – | – | 931 | 1,795 |
| Other payables and accrued expenses | 162,307 | 145,296 | 31,157 | 27,161 |
| Other payables due to subsidiaries | – | – | 17,852 | 17,865 |
| | 695,444 | 788,887 | 92,913 | 99,923 |
| Lease liabilities | 24,285 | 13,531 | 11,761 | 4,402 |
| Total | 719,729 | 802,418 | 104,674 | 104,325 |

(i) These pertain to foreign exchange forward contracts.

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

### *(c) Financial risk management policies and objectives*

The Group's financial risk management programmes set out its overall business strategies and risk management philosophy which is to minimise the potential adverse effects of financial risks on the performance of the Group. These programmes cover specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and are reviewed regularly by the Board of Directors to ensure that they remain pertinent to the Group's operations.

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

(i) Foreign exchange risk management

The Group operates internationally, giving rise to market risk from changes in foreign exchange rates. The Group manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge. The Group also enters into foreign exchange forward contracts to hedge its risks associated with foreign currency fluctuations.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. As at each reporting date, the carrying amounts of significant monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

| | The Group* | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2022<br>$'000 | 2021<br>$'000 | 2022<br>$'000 | 2021<br>$'000 |
| Singapore dollar | 19,621 | 22,835 | 47,839 | 24,500 |
| United States dollar# | 264,389 | 192,919 | 90,048 | 145,963 |
| Euro | 3,513 | 5,581 | 2,774 | 3,666 |
| Swiss francs | 563 | 361 | 4,872 | 4,138 |
| Chinese renminbi | 1,148 | 1,636 | 79 | 130 |
| Malaysian ringgit | 28,840 | 34,519 | 47,087 | 30,840 |

* Figures include intercompany monetary assets and liabilities denominated in currencies other than the respective Group entities' functional currencies.

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(i) Foreign exchange risk management (cont'd)

| | The Company | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| United States dollar# | 182,585 | 129,677 | 53,951 | 101,256 |
| Euro | 362 | 566 | 93 | 141 |

\# The Group and Company entered into foreign exchange forward contracts to hedge the United States dollar currency fluctuation. The net United States dollar currency exposure of the Group and Company after offsetting foreign exchange forward contracts is $59,319,000 and $13,612,000 respectively.

*Foreign currency sensitivity*

The following table details the sensitivity to a 5% change in the following foreign currencies against the functional currencies of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only significant outstanding foreign currency denominated monetary items and impact from forward contracts, and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans within the Group where the denomination of the loan is in a currency other than the functional currency of the borrower.

If the relevant foreign currency strengthens by 5% against the functional currency of each group entity as at the year end, profit for the year would increase (decrease) by the following amounts, mainly due to year-end exposures on significant net monetary balances denominated in the respective foreign currencies.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Singapore dollar impact | (1,411) | (83) | – | – |
| United States dollar impact | 2,966 | 2,348 | 681 | 1,421 |
| Euro impact | 37 | 96 | 13 | 21 |
| Swiss franc impact | (215) | (189) | – | – |
| Chinese renminbi impact | 53 | 75 | – | – |
| Malaysian ringgit impact | (912) | 184 | – | – |

If the relevant foreign currency weakens by 5% against the functional currency of each group entity as at the year end, impact on profit for the year would be vice versa.

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (iv) of this Note. The Group's policy is to maintain cash and cash equivalents, as disclosed in Note 6, with reputable international financial institutions.

Interest rate sensitivity analysis has not been presented as management does not expect any reasonably possible changes in interest rates to have a material impact on the profit or loss of the Group and Company.

(iii) Overview of the Group's exposure to credit risk and credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group assesses the credit worthiness of its counterparties using credit rating information. This credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to assess its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognising expected credit losses ("ECL")** |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts. | Trade receivables and contract assets: lifetime ECL – not credit-impaired<br><br>Other receivables: 12-month ECL |
| Doubtful | Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit-impaired |
| In default | Amount is >90 days past due or there is evidence indicating the asset is credit-impaired. | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. | Amount is written off |

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(iii) Overview of the Group's exposure to credit risk and credit risk management (cont'd)

Before accepting any new customer, the Group uses the new customer's financial information and where available, external credit scores, to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

Of the trade receivables balance at the end of the year, 64% is due from the Group's top ten customers by revenue (2021 : 59%). Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the top ten customers did not exceed 16% (2021 : 14%) of total assets at any time during the year. Concentration of credit risk to any single counterparty exceeded 5% but not 8% (2021 : 4% but not 7%) of total assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

| | Note | Internal credit assessment | 12-month or lifetime ECL | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
|---|---|---|---|---|---|---|
| The Group | | | | | | |
| 31 December 2022 | | | | | | |
| Trade receivables | 7 | Performing | Lifetime ECL (simplified approach) [i] | 907,434 | (1,056) | 906,378 |
| Trade receivables | 7 | In default | Lifetime ECL | 932 | (932) | – |
| Other receivables | 8 | Performing | 12-month ECL [ii] | 13,242 | – | 13,242 |
| Contract assets | 9 | Performing | Lifetime ECL (simplified approach) [i] | 10,735 | – | 10,735 |
| | | | | | (1,988) | |

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(iii) Overview of the Group's exposure to credit risk and credit risk management (cont'd)

| | Note | Internal credit assessment | 12-month or lifetime ECL | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
|---|---|---|---|---|---|---|
| The Group | | | | | | |
| 31 December 2021 | | | | | | |
| Trade receivables | 7 | Performing | Lifetime ECL (simplified approach) (i) | 830,645 | (1,400) | 829,245 |
| Trade receivables | 7 | In default | Lifetime ECL | 205 | (205) | – |
| Other receivables | 8 | Performing | 12-month ECL (ii) | 11,011 | – | 11,011 |
| Contract assets | 9 | Performing | Lifetime ECL (simplified approach) (i) | 20,033 | – | 20,033 |
| | | | | | (1,605) | |
| The Company | | | | | | |
| 31 December 2022 | | | | | | |
| Trade receivables | 7 | Performing | Lifetime ECL (simplified approach) (i) | 13,956 | (38) | 13,918 |
| Other receivables | 8 | Performing | 12-month ECL (ii) | 3,353 | – | 3,353 |
| Trade receivables due from subsidiaries | 11 | Performing | Lifetime ECL (simplified approach) (i) | 162,912 | – | 162,912 |
| Other receivables due from subsidiaries | 11 | Performing | 12-month ECL (ii) | 519 | – | 519 |
| | | | | | (38) | |
| 31 December 2021 | | | | | | |
| Trade receivables | 7 | Performing | Lifetime ECL (simplified approach) (i) | 12,533 | (38) | 12,495 |
| Other receivables | 8 | Performing | 12-month ECL (ii) | 3,664 | – | 3,664 |
| Trade receivables due from subsidiaries | 11 | Performing | Lifetime ECL (simplified approach) (i) | 84,467 | – | 84,467 |
| Other receivables due from subsidiaries | 11 | Performing | 12-month ECL (ii) | 467 | – | 467 |
| | | | | | (38) | |

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(iii) Overview of the Group's exposure to credit risk and credit risk management (cont'd)

**Notes:**

(i) For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated using historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 7 and 9 include further details on the loss allowance for these assets respectively.

(ii) In determining the ECL, the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

(iv) Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities.

Liquidity risk is managed by matching the payment and receipt cycle. The Group has sufficient cash from operations and credit lines from financial institutions to fund its capital investments and working capital requirements.

*Liquidity and interest risk analysis*

Non-derivative financial assets

The following tables detail the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities/ realisation of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to interest included in the maturity analysis which are not included in the carrying amount of the financial assets on the statement of financial position.

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

*Liquidity and interest risk analysis (cont'd)*

Non-derivative financial assets (cont'd)

| | Weighted average effective interest rate % | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | After 5 years $'000 | Adjustment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| The Group | | | | | | |
| 31 December 2022 | | | | | | |
| Non-interest bearing | – | 1,166,170 | 21,228 | 2,847 | – | 1,190,245 |
| Fixed interest rate instruments | 3.40 | 567,647 | – | – | (1,604) | 566,043 |
| | | 1,733,817 | 21,228 | 2,847 | (1,604) | 1,756,288 |
| 31 December 2021 | | | | | | |
| Non-interest bearing | – | 1,105,971 | 22,607 | 2,847 | – | 1,131,425 |
| Fixed interest rate instruments | 1.02 | 543,602 | – | – | (1,383) | 542,219 |
| | | 1,649,573 | 22,607 | 2,847 | (1,383) | 1,673,644 |
| The Company | | | | | | |
| 31 December 2022 | | | | | | |
| Non-interest bearing | – | 186,269 | 9,041 | – | – | 195,310 |
| Fixed interest rate instruments | 3.88 | 88,443 | – | – | (849) | 87,594 |
| | | 274,712 | 9,041 | – | (849) | 282,904 |
| 31 December 2021 | | | | | | |
| Non-interest bearing | – | 108,289 | 8,760 | – | – | 117,049 |
| Fixed interest rate instruments | 0.50 | 373,223 | – | – | (466) | 372,757 |
| | | 481,512 | 8,760 | – | (466) | 489,806 |

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

*Liquidity and interest risk analysis (cont'd)*

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the interest included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

| | Weighted average effective interest rate % | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | After 5 years $'000 | Adjustment $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| The Group | | | | | | |
| 31 December 2022 | | | | | | |
| Non-interest bearing | – | 695,444 | – | – | – | 695,444 |
| Lease liabilities | 3.51 | 11,966 | 10,298 | 6,964 | (4,943) | 24,285 |
| | | 707,410 | 10,298 | 6,964 | (4,943) | 719,729 |
| 31 December 2021 | | | | | | |
| Non-interest bearing | – | 788,887 | – | – | – | 788,887 |
| Lease liabilities | 2.53 | 9,091 | 5,457 | – | (1,017) | 13,531 |
| | | 797,978 | 5,457 | – | (1,017) | 802,418 |
| The Company | | | | | | |
| 31 December 2022 | | | | | | |
| Non-interest bearing | – | 92,913 | – | – | – | 92,913 |
| Lease liabilities | 3.58 | 6,560 | 5,510 | – | (309) | 11,761 |
| | | 99,473 | 5,510 | – | (309) | 104,674 |
| 31 December 2021 | | | | | | |
| Non-interest bearing | – | 99,923 | – | – | – | 99,923 |
| Lease liabilities | 1.82 | 4,412 | 43 | – | (53) | 4,402 |
| | | 104,335 | 43 | – | (53) | 104,325 |

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (cont'd)*

(v) Fair value of financial assets and financial liabilities

Other than the fair values of derivative financial instruments and other financial assets which are disclosed in Notes 8 and 12 respectively, the carrying amounts of cash and bank balances, trade and other receivables, bank loans, and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

| Financial assets/ Financial liabilities | Fair value as at 2022 Assets $'000 | 2022 Liabilities $'000 | 2021 Assets $'000 | 2021 Liabilities $'000 | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|---|---|
| **Derivative financial instruments (Note 8)** | | | | | | |
| The Group and the Company | | | | | | |
| Foreign exchange forward contract | 676 | – | – | – | Level 2 | Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date discounted at a rate that reflects credit risk of counterparties |
| **Other financial assets (Note 12)** | | | | | | |
| The Group | | | | | | |
| Quoted equity shares | 21,228 | – | 22,607 | – | Level 1 | Quoted bid prices in an active market |
| Unquoted equity shares / debt instrument | 4,201 | – | 2,847 | – | Level 2 | Net tangible asset of the underlying investment / most recent transacted prices which approximate fair value |
| The Company | | | | | | |
| Quoted equity shares | 9,041 | – | 8,760 | – | Level 1 | Quoted bid prices in an active market |

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the year.

# Notes to Financial Statements

31 December 2022

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(d) Capital management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes lease liabilities and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits as presented in the statements of changes in equity. One of the subsidiaries of the Group operating in the People's Republic of China is required to set aside a part of profit after tax in a separate reserve called "Reserve Fund" as disclosed in Note 22.

The Board of Directors reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and makes adjustments to the capital structure, where appropriate, in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's overall strategy remains unchanged from the previous year.

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, Group entities entered into the following trading transactions with related parties:

| | **The Group** | |
|---|---|---|
| | **2022 $'000** | **2021 $'000** |
| Purchase of goods from associate | 24 | 20 |

***Compensation of Directors and key management personnel***

The remuneration of Directors and other key management personnel during the year were as follows:

| | **The Group** | |
|---|---|---|
| | **2022 $'000** | **2021 $'000** |
| Short-term benefits | 19,606 | 15,656 |
| CPF contributions | 286 | 186 |
| Share-based payments | 991 | 1,219 |
| | 20,883 | 17,061 |
| Directors' fees | 817 | 858 |
| Total | 21,700 | 17,919 |

The remuneration of Directors and other key management personnel is determined by the Remuneration Committee having regard to various factors including the individual's contribution to the achievement of the organisation and business objectives.

# Notes to Financial Statements

31 December 2022

## 6 CASH AND BANK BALANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022<br>$'000 | 2021<br>$'000 | 2022<br>$'000 | 2021<br>$'000 |
| Cash | 246,550 | 265,715 | 5,567 | 7,196 |
| Fixed deposits | 566,043 | 542,219 | 87,594 | 372,757 |
| Cash and cash equivalents in the statement of cash flows | 812,593 | 807,934 | 93,161 | 379,953 |

The fixed deposits' interest rates for the Group and the Company range from 1.50% to 4.71% (2021 : 0.50% to 3.35%) per annum with an original maturity of one year or less.

## 7 TRADE RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022<br>$'000 | 2021<br>$'000 | 2022<br>$'000 | 2021<br>$'000 |
| Outside parties | 906,378 | 829,245 | 13,918 | 12,495 |

The average trade credit period on sales of goods is 82 days (2021 : 90 days). No interest is charged on the trade receivables. Loss allowance for trade receivables has been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past debtor default experience and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast economic conditions at the reporting date.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

# Notes to Financial Statements

31 December 2022

## 7 TRADE RECEIVABLES (CONT'D)

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | | Trade receivables - days past due | | | | |
| | **Not past due $'000** | **< 30 days $'000** | **31 – 60 days $'000** | **61 – 90 days $'000** | **> 90 days $'000** | **Total $'000** |
| **31 December 2022** | | | | | | |
| Expected credit loss rate | 0.1% | 0.1% | 0.7% | 2.0% | 3.7% | |
| Lifetime ECL: | | | | | | |
| – Not credit-impaired | 658 | 95 | 99 | 87 | 117 | 1,056 |
| – Credit-impaired | – | – | – | – | 932 | 932 |
| | 658 | 95 | 99 | 87 | 1,049 | 1,988 |
| **31 December 2021** | | | | | | |
| Expected credit loss rate | 0.1% | 0.1% | 1.0% | 3.0% | 5.2% | |
| Lifetime ECL: | | | | | | |
| – Not credit-impaired | 982 | 111 | 105 | 135 | 67 | 1,400 |
| – Credit-impaired | – | – | – | – | 205 | 205 |
| | 982 | 111 | 105 | 135 | 272 | 1,605 |

The Company's provision matrix is not disclosed as the lifetime ECL is insignificant but the expected credit loss rates applied approximate that of the Group as their loss patterns are similar.

Management is of the view that majority of the Group's and the Company's trade receivables are within their expected cash collection cycle. There are certain trade receivables which are less than 2% (2021 : 2%) of the total trade receivables as at the end of the reporting period that are outstanding for periods longer than the expected credit terms as agreed with the customers. The average days overdue of these receivables is 59 days (2021 : 65 days).

# Notes to Financial Statements

31 December 2022

## 7 TRADE RECEIVABLES (CONT'D)

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

| | The Group | | | The Company |
|---|---|---|---|---|
| | Lifetime ECL | | | Lifetime ECL |
| | Collectively assessed: not credit-impaired $'000 | Individually assessed: credit-impaired $'000 | Total $'000 | Collectively assessed: not credit-impaired $'000 |
| Balance at 1 January 2021 | 1,211 | 645 | 1,856 | 38 |
| Written off | – | (443) | (443) | – |
| Net re-measurement of loss allowance | 162 | – | 162 | – |
| Foreign exchange loss | 27 | 3 | 30 | – |
| Balance at 31 December 2021 | 1,400 | 205 | 1,605 | 38 |
| Net re-measurement of loss allowance | (334) | 739 | 405 | – |
| Foreign exchange gain | (10) | (12) | (22) | – |
| Balance at 31 December 2022 | 1,056 | 932 | 1,988 | 38 |

## 8 OTHER RECEIVABLES AND PREPAYMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Other receivables | 11,256 | 8,721 | 3,252 | 3,205 |
| Derivative financial instruments (Note 4) | 676 | – | 676 | – |
| Deposits | 1,986 | 2,290 | 101 | 459 |
| Prepayments | 23,982 | 19,869 | 1,905 | 1,843 |
| | 37,900 | 30,880 | 5,934 | 5,507 |

For the purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

Based on the Group's historical credit loss experience with the relevant counterparties, as well as available forward-looking information, the Group has assessed the expected credit loss rate on other receivables to be insignificant.

# Notes to Financial Statements

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## 9 CONTRACT ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Contract assets | 10,735 | 20,033 | – | – |

Contract assets comprise unbilled revenue and other recoverables from customers for which the Group has performed work at balance sheet date, but the agreed billing milestones have not been reached. Such unbilled revenue and recoverables arise from design services contracts, tooling work and other non-recurring engineering services. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

As at 1 January 2021, contract assets amounted to $16,759,000.

The decrease in the Group's contract assets between 31 December 2022 and 31 December 2021 was attributable mainly to lower accrued revenue for design services contracts and tooling fabrication, as invoices were raised when billing milestones were met subsequent to 31 December 2021.

Management estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the relevant customers' industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

Based on the Group's historical credit loss experience with the relevant customers, as well as available forward-looking information, the Group has assessed the expected credit loss rate on contract assets to be insignificant.

## 10 INVENTORIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Raw materials | 734,709 | 755,578 | 42,993 | 41,723 |
| Work in progress | 119,861 | 112,213 | 30,768 | 28,081 |
| Finished goods | 210,730 | 181,638 | 17,355 | 14,146 |
| | 1,065,300 | 1,049,429 | 91,116 | 83,950 |

In 2022, the Group recognised an expense of $767,000 (2021 : $7,948,000) in respect of provisions and write-offs of aged inventory determined based on assessments of net realisable value and estimates on forecasted usage.

# Notes to Financial Statements

31 December 2022

## 11 INVESTMENTS IN SUBSIDIARIES

| | The Company 2022 $'000 | The Company 2021 $'000 |
|---|---|---|
| Unquoted equity shares, at cost | 1,148,474 | 1,148,474 |
| Less: Impairment loss | (3,203) | (3,203) |
| Net carrying amount | 1,145,271 | 1,145,271 |
| Advances to subsidiaries [1] | 86,840 | 86,840 |
| Less: Impairment in advances to subsidiaries | (4,262) | (4,262) |
| | 1,227,849 | 1,227,849 |

(1) Advances to subsidiaries are extensions of the Company's investment and hence are capital in nature.

Amounts due to and from subsidiaries are unsecured, interest-free and payable within 12 months other than advances to subsidiaries as mentioned above.

For purpose of impairment assessment, loss allowance for trade receivables due from subsidiaries has been measured at an amount equal to lifetime ECL. Other receivables due from subsidiaries are considered to have low credit risk and there has been no significant increase in the risk of default during the current reporting period. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period for trade and other receivables due from subsidiaries.

Details of the Company's significant subsidiaries as at the end of the reporting period are as follows:

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest and voting power held 2022 % | Proportion of ownership interest and voting power held 2021 % | Principal activities |
|---|---|---|---|---|
| Advanced Products Corporation Pte Ltd | Singapore | 100 | 100 | Trading and manufacturing of electronics products and wholesale of computer hardware and peripheral equipment |
| Cebelian Holdings Pte Ltd | Singapore | 100 | 100 | Investment holding |
| Venture Electronics (Europe) B.V. (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) [5] | Netherlands | 100 | 100 | Investment holding |

# Notes to Financial Statements

31 December 2022

## 11 INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest and voting power held | | Principal activities |
|---|---|---|---|---|
| | | 2022 | 2021 | |
| | | % | % | |
| Venture Electronics Spain S.L. (wholly-owned subsidiary of Venture Electronics (Europe) B.V.) (1) | Spain | 100 | 100 | Manufacture, design, engineering, customisation and logistic services |
| Venture Electronics (Shanghai) Co., Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (1) | People's Republic of China | 100 | 100 | Trading and manufacturing of electronic and computer-related products |
| Venture Electronics (Shenzhen) Co., Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (4) | People's Republic of China | 100 | 100 | Manufacture and sale of terminal units |
| VM Services, Inc. (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) (5) | United States of America | 100 | 100 | Trading and manufacturing of electronic and computer-related products |
| Venture Electronics International, Inc. (wholly-owned subsidiary of VM Services, Inc.) (5) | United States of America | 100 | 100 | Manufacture, design, engineering, customisation engineering, and logistic services |
| Venture Design Services Inc. (wholly-owned subsidiary of VM Services, Inc.) (5) | United States of America | 100 | 100 | Trading and manufacturing of electronics and computer-related products, provision of engineering, customisation logistics and repair services |
| Venture Enterprise Innovation, Inc. (wholly-owned subsidiary of VM Services, Inc.) (5) | United States of America | 100 | 100 | Manufacturing of high technology products, and provision of design solutions and services |
| VIPColor Technologies Pte Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) | Singapore | 100 | 100 | Develop and market colour imaging products for label printing |
| Advanced Instrument Pte. Ltd. (wholly-owned subsidiary of Advanced Products Corporation Pte Ltd) | Singapore | 100 | 100 | Research and experimental development on biotechnology, life and medical science and manufacture and repair of engineering and scientific instruments |
| Venture International Pte. Ltd. | Singapore | 100 | 100 | Import and export of electronic parts, components, equipment, devices and instruments |

# Notes to Financial Statements

31 December 2022

## 11 INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest and voting power held 2022 % | 2021 % | Principal activities |
|---|---|---|---|---|
| VIPColor Technologies USA, Inc. (wholly-owned subsidiary of VIPColor Technologies Pte Ltd) [5] | United States of America | 100 | 100 | Develop and market colour imaging products for label printing |
| Innovative Trek Technology Pte Ltd | Singapore | 100 | 100 | Information system development and support |
| Multitech Systems Pte. Ltd. | Singapore | 100 | 100 | Trading and manufacturing of electronic and computer-related products |
| Scinetic Engineering Pte Ltd (60% owned by the Company and 40% owned by GES Investment Pte. Ltd.) | Singapore | 100 | 100 | Design, development, manufacture, sales, installation and servicing of computers and related products |
| Technocom Systems Sdn. Bhd. [1] | Malaysia | 100 | 100 | Manufacturing and assembly of electronic and other computer products and peripherals |
| Pintarmas Sdn. Bhd. (wholly-owned subsidiary of Technocom Systems Sdn. Bhd.) [1] | Malaysia | 100 | 100 | Manufacturing and assembly of electronic and other computer products and peripherals |
| V-Design Services (M) Sdn. Bhd. (wholly-owned subsidiary of Technocom Systems Sdn. Bhd.) [1] | Malaysia | 100 | 100 | Design and development of electronic products and services |
| Venture Electronics Services (Malaysia) Sdn. Bhd. [1] | Malaysia | 100 | 100 | Manufacturing and sale of sub-assemblies and printed circuit board assemblies for communication/networking equipment and medical and scientific equipment/ instrumentation |
| Venture Electronics Solutions Pte Ltd | Singapore | 100 | 100 | Manufacture, design, engineering and logistics services to electronics equipment manufacturers worldwide |
| Ventech Investments Ltd (wholly-owned subsidiary of Cebelian Holdings Pte Ltd) [5] | British Virgin Islands | 100 | 100 | Investment holding |
| Univac Precision Engineering Pte Ltd | Singapore | 100 | 100 | Specialists, manufacturers, fabricators and dealers of precision plastic tools, components and sub-assemblies |

# Notes to Financial Statements

31 December 2022

## 11 INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest and voting power held 2022 % | 2021 % | Principal activities |
|---|---|---|---|---|
| Munivac Sdn. Bhd. (wholly-owned subsidiary of Univac Precision Engineering Pte Ltd) (1) | Malaysia | 100 | 100 | Manufacture of plastic precision engineering components |
| Univac Precision, Inc. (wholly-owned subsidiary of Univac Precision Engineering Pte Ltd) (5) | United States of America | 100 | 100 | Design, customisation and marketing of tool-making and precision engineering solutions |
| Univac Design & Engineering Pte Ltd (a subsidiary of Univac Precision Engineering Pte Ltd) (2)(6) | Singapore | 81.6 | 81.6 | Investment holding |
| Univac Precision Plastics (Shanghai) Co., Ltd (wholly-owned subsidiary of Univac Design & Engineering Pte Ltd) (3)(6) | People's Republic of China | 81.6 | 81.6 | Manufacture of plastic injection moulds and mouldings with secondary processes and sub-assembly |
| Univac Precision Plastics (Suzhou) Co., Ltd (wholly-owned subsidiary of Univac Design & Engineering Pte Ltd) (3)(6) | People's Republic of China | 81.6 | 81.6 | Manufacture of plastic injection moulds and mouldings with secondary processes and sub-assembly |
| GES International Limited | Singapore | 100 | 100 | Investment holding and provision of management services |
| GES (Singapore) Pte Ltd (wholly-owned subsidiary of GES International Limited) | Singapore | 100 | 100 | Provision of manufacturing services for original design and manufacture and electronic manufacturing services |
| GES Investment Pte. Ltd. (wholly-owned subsidiary of GES International Limited) | Singapore | 100 | 100 | Investment holding and provision of administrative and technical services to a subsidiary |
| Shanghai GES Information Technology Co., Ltd (wholly-owned subsidiary of GES (Singapore) Pte Ltd) (1) | People's Republic of China | 100 | 100 | Provision of manufacturing services for original design and manufacture and electronic manufacturing services |
| GES Manufacturing Services (M) Sdn. Bhd. (wholly-owned subsidiary of GES Investment Pte. Ltd.) (1) | Malaysia | 100 | 100 | Manufacture of electronics equipment, computer, data and telecommunications products in industrial electronics industries |

# Notes to Financial Statements

31 December 2022

## 11 INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest and voting power held | | Principal activities |
|---|---|---|---|---|
| | | 2022 | 2021 | |
| | | % | % | |
| Winza Pte. Ltd. (wholly-owned subsidiary of Advanced Products Corporation Pte Ltd) | Singapore | 100 | 100 | Research and experimental developmental on biotechnology, life and medical science and manufacture and repair of engineering and scientific instruments |

All the companies are audited by Deloitte & Touche LLP, Singapore except for the subsidiaries that are indicated as follows:

(1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
(2) Audited by another firm of auditors, BSL Public Accounting Corporation.
(3) Audited by another firm of auditors, Suzhou Wanlong Yongding Certified Public Accountants Co., Ltd.
(4) Audited by another firm of auditors, BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd.
(5) Not required by law to be audited in its country of incorporation and not material to the results of the Group.
(6) The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of these non-wholly owned subsidiaries are individually insignificant to the Group.

The net assets of the subsidiaries referred to in Notes (2), (3), (4) and (5) above are less than 20% of the net assets of the Group as at the financial year end.

The Company has provided a commitment for financial support of $42,273,000 (2021 : $42,276,000) to certain subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiaries to continue to operate as going concerns and meet their contractual obligations when they fall due.

# Notes to Financial Statements

31 December 2022

## 12 OTHER FINANCIAL ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Debt instrument measured at fair value through profit or loss (FVTPL) | | | | |
| Unquoted debt instrument [a] | 1,354 | – | – | – |
| Equity instruments measured at fair value through other comprehensive income (FVTOCI) | | | | |
| Quoted equity shares [b] | 21,228 | 22,607 | 9,041 | 8,760 |
| Unquoted equity shares | 2,847 | 2,847 | – | – |
| | 25,429 | 25,454 | 9,041 | 8,760 |

Other financial assets refer to equity and debt instruments measured at fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

(a) Unquoted debt instrument comprises of a convertible loan with face value of US$1,000,000, which bears 5% interest per annum and matures on 30 June 2023.

(b) The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year. Investments in quoted equity securities offer the Group and the Company the opportunity for returns through distribution income and fair value gains. Quoted equity shares have no fixed maturity or coupon rate.

Equity instruments measured at FVTOCI are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

# Notes to Financial Statements

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## 13 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land $'000 | Factory buildings $'000 | Leasehold land and buildings [i] $'000 | Machinery and equipment $'000 | Leasehold improvements and renovations $'000 | Office equipment, furniture and fittings $'000 | Computer hardware $'000 | Motor vehicles $'000 | Asset under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| The Group | | | | | | | | | | |
| Cost: | | | | | | | | | | |
| At 1 January 2021 | 28,160 | 43,716 | 161,896 | 304,827 | 68,787 | 48,184 | 4,450 | 2,458 | – | 662,478 |
| Exchange differences | 524 | 814 | 2,619 | 5,588 | 1,415 | 745 | – | 26 | – | 11,731 |
| Additions | – | – | – | 4,600 | 4,554 | 1,639 | – | – | – | 10,793 |
| Disposals | – | – | – | (6,176) | (167) | (680) | – | (296) | – | (7,319) |
| At 31 December 2021 | 28,684 | 44,530 | 164,515 | 308,839 | 74,589 | 49,888 | 4,450 | 2,188 | – | 677,683 |
| Reclassification | – | – | – | – | (931) | – | – | – | 931 | – |
| Exchange differences | 30 | 46 | (1,067) | (2,741) | (919) | (44) | – | (7) | (237) | (4,939) |
| Additions | – | – | – | 10,022 | 3,716 | 2,260 | 851 | 11 | 15,864 | 32,724 |
| Disposals | – | – | – | (12,176) | (365) | (636) | (990) | (108) | – | (14,275) |
| At 31 December 2022 | 28,714 | 44,576 | 163,448 | 303,944 | 76,090 | 51,468 | 4,311 | 2,084 | 16,558 | 691,193 |
| Accumulated depreciation: | | | | | | | | | | |
| At 1 January 2021 | – | 9,247 | 73,138 | 268,584 | 36,674 | 41,680 | 4,234 | 1,930 | – | 435,487 |
| Exchange differences | – | 186 | 1,402 | 4,892 | 806 | 635 | – | 23 | – | 7,944 |
| Depreciation | – | 1,151 | 4,276 | 12,954 | 4,065 | 3,208 | 3 | 206 | – | 25,863 |
| Disposals | – | – | – | (6,047) | (152) | (574) | – | (294) | – | (7,067) |
| At 31 December 2021 | – | 10,584 | 78,816 | 280,383 | 41,393 | 44,949 | 4,237 | 1,865 | – | 462,227 |
| Exchange differences | – | (7) | (440) | (2,307) | (590) | (213) | – | (8) | – | (3,565) |
| Depreciation | – | 1,184 | 3,180 | 9,897 | 4,151 | 2,750 | – | 173 | – | 21,335 |
| Disposals | – | – | – | (12,050) | (328) | (549) | (990) | (108) | – | (14,025) |
| At 31 December 2022 | – | 11,761 | 81,556 | 275,923 | 44,626 | 46,937 | 3,247 | 1,922 | – | 465,972 |
| Impairment: | | | | | | | | | | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | – | – | – | 18 | 36 | 190 | – | 43 | – | 287 |
| Carrying amount: | | | | | | | | | | |
| At 31 December 2022 | 28,714 | 32,815 | 81,892 | 28,003 | 31,428 | 4,341 | 1,064 | 119 | 16,558 | 224,934 |
| At 31 December 2021 | 28,684 | 33,946 | 85,699 | 28,438 | 33,160 | 4,749 | 213 | 280 | – | 215,169 |

# Notes to Financial Statements

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## 13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Leasehold land and building [i] $'000 | Machinery and equipment $'000 | Leasehold improvements and renovations $'000 | Office equipment, furniture and fittings $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| The Company | | | | | | |
| Cost: | | | | | | |
| At 1 January 2021 | 39,166 | 42,805 | 3,974 | 8,329 | 1,090 | 95,364 |
| Additions | – | 169 | 63 | 186 | – | 418 |
| Disposals | – | (4) | (18) | (45) | – | (67) |
| At 31 December 2021 | 39,166 | 42,970 | 4,019 | 8,470 | 1,090 | 95,715 |
| Additions | – | 1,200 | 1,635 | 297 | – | 3,132 |
| Disposals | – | (8,827) | (5) | (32) | (108) | (8,972) |
| At 31 December 2022 | 39,166 | 35,343 | 5,649 | 8,735 | 982 | 89,875 |
| Accumulated depreciation: | | | | | | |
| At 1 January 2021 | 6,956 | 40,078 | 3,217 | 7,705 | 818 | 58,774 |
| Depreciation | 1,031 | 1,145 | 288 | 346 | 113 | 2,923 |
| Disposals | – | (4) | (18) | (44) | – | (66) |
| At 31 December 2021 | 7,987 | 41,219 | 3,487 | 8,007 | 931 | 61,631 |
| Depreciation | 1,030 | 1,034 | 349 | 305 | 113 | 2,831 |
| Disposals | – | (8,827) | (5) | (30) | (108) | (8,970) |
| At 31 December 2022 | 9,017 | 33,426 | 3,831 | 8,282 | 936 | 55,492 |
| Carrying amount: | | | | | | |
| At 31 December 2022 | 30,149 | 1,917 | 1,818 | 453 | 46 | 34,383 |
| At 31 December 2021 | 31,179 | 1,751 | 532 | 463 | 159 | 34,084 |

(i) The Group and the Company made upfront payments in full to secure the right-of-use of leasehold land and buildings for the Group's manufacturing operations, warehousing and office premises.

# Notes to Financial Statements

31 December 2022

## 14 RIGHT-OF-USE ASSETS

The Group and the Company lease several assets including leasehold land and buildings and plant and equipment. The average lease term is 7.2 years (2021 : 5.8 years).

| | **Leasehold land and buildings [i] $'000** | **Plant and equipment $'000** | **Motor vehicles $'000** | **Total $'000** |
|---|---|---|---|---|
| The Group | | | | |
| Cost: | | | | |
| At 1 January 2021 | 39,250 | 208 | – | 39,458 |
| Exchange differences | 541 | 2 | – | 543 |
| Additions | 2,522 | 330 | 49 | 2,901 |
| Disposals | (4,976) | – | – | (4,976) |
| At 31 December 2021 | 37,337 | 540 | 49 | 37,926 |
| Exchange differences | (835) | 2 | 1 | (832) |
| Additions | 3,957 | – | – | 3,957 |
| Lease modification | 17,819 | – | – | 17,819 |
| At 31 December 2022 | 58,278 | 542 | 50 | 58,870 |
| Accumulated depreciation: | | | | |
| At 1 January 2021 | 19,235 | 96 | – | 19,331 |
| Exchange differences | 247 | 1 | – | 248 |
| Depreciation | 10,705 | 51 | 12 | 10,768 |
| Disposals | (4,865) | – | – | (4,865) |
| At 31 December 2021 | 25,322 | 148 | 12 | 25,482 |
| Exchange differences | (470) | 15 | 1 | (454) |
| Depreciation | 10,919 | 162 | 16 | 11,097 |
| At 31 December 2022 | 35,771 | 325 | 29 | 36,125 |
| Carrying amount: | | | | |
| At 31 December 2022 | 22,507 | 217 | 21 | 22,745 |
| At 31 December 2021 | 12,015 | 392 | 37 | 12,444 |

# Notes to Financial Statements

31 December 2022

## 14 RIGHT-OF-USE ASSETS (CONT'D)

| | **Leasehold land and buildings (i) $'000** |
|---|---|
| The Company | |
| Cost: | |
| At 1 January 2021 | 18,431 |
| Additions | 118 |
| At 31 December 2021 | 18,549 |
| Additions | 280 |
| Lease modification | 12,919 |
| At 31 December 2022 | 31,748 |
| Accumulated depreciation: | |
| At 1 January 2021 | 8,938 |
| Depreciation | 6,181 |
| At 31 December 2021 | 15,119 |
| Depreciation | 6,302 |
| At 31 December 2022 | 21,421 |
| Carrying amount: | |
| At 31 December 2022 | 10,327 |
| At 31 December 2021 | 3,430 |

(i) These pertain to leasehold land and buildings for which the Group and the Company make periodic lease payments. These are used for the Group's manufacturing operations, warehousing and office premises.

# Notes to Financial Statements

31 December 2022

## 15 INTANGIBLE ASSETS

| | Customer relationships $'000 | Development expenditure $'000 | Computer software $'000 | Total $'000 |
|---|---|---|---|---|
| The Group | | | | |
| Cost: | | | | |
| At 1 January 2021 | 168,483 | 58,099 | 24,553 | 251,135 |
| Exchange differences | – | 160 | (11) | 149 |
| Additions | – | – | 567 | 567 |
| Written off | – | (49,277) | – | (49,277) |
| At 31 December 2021 | 168,483 | 8,982 | 25,109 | 202,574 |
| Exchange differences | – | (346) | 13 | (333) |
| Additions | – | – | 872 | 872 |
| Written off | – | – | (214) | (214) |
| At 31 December 2022 | 168,483 | 8,636 | 25,780 | 202,899 |
| Accumulated amortisation: | | | | |
| At 1 January 2021 | 168,483 | 58,098 | 24,242 | 250,823 |
| Exchange differences | – | 160 | (3) | 157 |
| Amortisation | – | 1 | 247 | 248 |
| Written off | – | (49,277) | – | (49,277) |
| At 31 December 2021 | 168,483 | 8,982 | 24,486 | 201,951 |
| Exchange differences | – | (346) | 36 | (310) |
| Amortisation | – | – | 419 | 419 |
| Written off | – | – | (214) | (214) |
| At 31 December 2022 | 168,483 | 8,636 | 24,727 | 201,846 |
| Carrying amount: | | | | |
| At 31 December 2022 | – | – | 1,053 | 1,053 |
| At 31 December 2021 | – | – | 623 | 623 |

| | Development expenditure $'000 |
|---|---|
| The Company | |
| Cost: | |
| At 1 January 2021 | 32,533 |
| Written off | (29,271) |
| As at 31 December 2021 and 31 December 2022 | 3,262 |
| Accumulated amortisation: | |
| At 1 January 2021 | 32,533 |
| Written off | (29,271) |
| As at 31 December 2021 and 31 December 2022 | 3,262 |
| Carrying amount: | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | – |

# Notes to Financial Statements

31 December 2022

## 15 INTANGIBLE ASSETS (CONT'D)

The amortisation period for development expenditure and computer software is three to seven years which approximates the useful lives of the intangible assets. In the previous financial year, the Group and Company wrote off development expenditure that has been fully amortised and has no future economic benefits. In the current financial year, the Group wrote off computer software that has no future economic benefits.

The fair value of the customer relationships which arose from the acquisition of GES (Note 16) on 29 November 2006 has been amortised over its useful life of ten years and was fully amortised in 2016. No amortisation charge was recorded in profit or loss in 2021 and 2022.

## 16 GOODWILL

| | The Group $'000 |
|---|---|
| Cost: | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | 640,593 |
| Impairment: | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | (885) |
| Carrying amount: | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | 639,708 |

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Technology Products and Design Solutions | | |
| (a) GES International Limited and its subsidiaries ("GES International Group") (single CGU) | 573,568 | 573,568 |
| Advanced Manufacturing and Design Solutions | | |
| (b) Technocom Systems Sdn Bhd (previously transferred from Venture Electronics Solutions Pte Ltd) (single CGU) | 10,980 | 10,980 |
| (c) Univac Precision Engineering Pte Ltd and its subsidiaries ("Univac Group") (single CGU) | 55,160 | 55,160 |
| Total | 639,708 | 639,708 |

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

In accordance with the requirements of SFRS(I) 1-36, the value in use calculations applied a discounted cash flow model using management approved cash flow projections.

The key assumptions used in determining the recoverable amount of the CGUs are those regarding discount rates, revenue growth rates, profitability margins, capital expenditures, working capital cycles and non-operating cash balances, as at the assessment date.

# Notes to Financial Statements

31 December 2022

## 16 GOODWILL (CONT'D)

The discount rates applied to the cash flows projections are derived from the weighted average cost of capital plus a reasonable risk premium applicable to the CGUs at the date of assessment of the recoverable amounts. The growth rate used to extrapolate the cash flows of the respective CGUs beyond the forecast period of 5 years is 2% (2021 : 2%), which does not exceed the long-term growth rate for the relevant markets. The implied pre-tax rates used to discount the cash flow projections of the respective CGUs are as follows:

(a) The rate used to discount the cash flows from GES International Limited and its subsidiaries is 11.5% (2021 : 11.0%).

(b) The rate used to discount the cash flows from Univac Precision Engineering Pte Ltd and its subsidiaries is 11.6% (2021 : 11.5%).

(c) The rate used to discount the cash flows from Technocom Systems Sdn Bhd is 12.0% (2021 : 12.0%).

The values assigned to other key assumptions are based on past performances and expected future market development.

As at the end of the respective reporting periods, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the respective carrying amounts of the CGUs.

## 17 DEFERRED TAX ASSETS/LIABILITIES

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Deferred tax assets: | | |
| Balance at beginning of year | 3,714 | 3,607 |
| Credit to profit or loss | 114 | – |
| Exchange differences | 1 | 107 |
| Balance at end of year | 3,829 | 3,714 |

The deferred tax assets mainly comprise the tax effect of temporary differences associated with tax credits for certain overseas research and development activities and accelerated accounting depreciation.

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Deferred tax liabilities: | | |
| Balance at beginning of year | 3,512 | 3,365 |
| (Credit) Charge to profit or loss | (1,649) | 113 |
| Exchange differences | 25 | 34 |
| Balance at end of year | 1,888 | 3,512 |

The deferred tax liabilities comprise the tax effect of temporary differences associated with accelerated tax depreciation.

# Notes to Financial Statements

31 December 2022

## 18 TRADE PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Outside parties | 533,137 | 643,591 | 42,973 | 53,102 |

The average credit period on purchases of goods is 73 days (2021 : 83 days). No interest is charged by suppliers on trade payables. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

## 19 OTHER PAYABLES AND ACCRUED EXPENSES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Other payables | 25,489 | 18,252 | 584 | 841 |
| Salary related accruals | 68,825 | 62,970 | 22,362 | 18,749 |
| Accrued expenses | 79,110 | 75,139 | 8,211 | 7,571 |
| | 173,424 | 156,361 | 31,157 | 27,161 |

Salary related accruals for both the Group and the Company include $8,451,000 (2021 : $6,116,000) due to Directors. The amount due to Directors is unsecured, interest-free and payable within 12 months.

The Group's accrued expenses include provision for warranty of $11,117,000 (2021 : $11,065,000). The Company's accrued expenses do not include provision for warranty.

The Group and the Company assessed the provision for warranty based on historical claim experience and estimated potential rectification costs for the products sold that qualify under the contractual warranty periods. Such provisions are assessed as a percentage of sales, determined by management based on the claim experience, the likelihood of claims and risks arising from the contracts covered by the warranty, and taking into consideration other factors such as industry benchmarks and technological failure rates.

# Notes to Financial Statements

31 December 2022

## 20 CONTRACT LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Contract liabilities | 121,211 | 73,052 | 9,155 | 9,182 |

Contract liabilities arise from advance payments from customers. In the case of design services, tooling and non-recurring engineering services, such advances arise when a particular milestone payment exceeds the work done to date. Contract liabilities are also recognised when a customer makes payment for the Group's working capital which the Group has deployed specifically for the customers' projects.

The increase in the Group's contract liabilities in 2022 result from customer advance payments for procurement of materials.

As at 1 January 2021, contract liabilities amounted to $36,152,000.

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

$56,775,000 (2021 : $26,775,000) of brought-forward contract liabilities were recognised in revenue in the current reporting period.

## 21 LEASE LIABILITIES

(Group and Company as a lessee)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| Maturity analysis: | | | | |
| Within one year | 11,966 | 9,091 | 6,560 | 4,412 |
| In the second to fifth year inclusive | 10,298 | 5,457 | 5,510 | 43 |
| After five years | 6,964 | – | – | – |
| | 29,228 | 14,548 | 12,070 | 4,455 |
| Less: Unearned interest | (4,943) | (1,017) | (309) | (53) |
| | 24,285 | 13,531 | 11,761 | 4,402 |
| Analysed as: | | | | |
| Current | 10,800 | 8,731 | 6,299 | 4,360 |
| Non-current | 13,485 | 4,800 | 5,462 | 42 |
| | 24,285 | 13,531 | 11,761 | 4,402 |

The Group and the Company do not face a significant liquidity risk with regard to its lease liabilities.

# Notes to Financial Statements

31 December 2022

## 22 SHARE CAPITAL, TREASURY SHARES AND RESERVES

SHARE CAPITAL

| | The Group and the Company | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | Number of ordinary shares | | $'000 | $'000 |
| | '000 | '000 | | |
| Issued and paid up: | | | | |
| At beginning of year | 291,568 | 291,088 | 832,827 | 826,980 |
| Issuance of shares | 390 | 480 | 5,453 | 5,847 |
| At end of year | 291,958 | 291,568 | 838,280 | 832,827 |

Fully paid ordinary shares which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

TREASURY SHARES

| | The Group and the Company | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | Number of ordinary shares | | $'000 | $'000 |
| | '000 | '000 | | |
| At beginning of year | 1,000 | 1,055 | 16,061 | 16,674 |
| Repurchased during the year | 164 | 165 | 2,864 | 2,884 |
| Reissuance pursuant to equity compensation plans | (210) | (220) | (3,390) | (3,497) |
| At end of year | 954 | 1,000 | 15,535 | 16,061 |

SHARE-BASED AWARDS RESERVE

This arises on the grant of share options and share awards to employees under the employee share option schemes and restricted share plans respectively. Further information about share-based payments to employees is set out in Note 24.

INVESTMENTS REVALUATION RESERVE

This arises on revaluation of equity instruments designated as at FVTOCI (Note 12), net of cumulative gain/loss transferred to accumulated profits upon disposal.

This reserve is not available for distribution to the Company's shareholders.

OTHER RESERVES

This mainly includes reserve fund of $7,334,000 (2021 : $5,718,000) offset by other reserves of $7,306,000 (2021 : $5,891,000).

The reserve fund is a part of the profit after tax of a subsidiary operating in the People's Republic of China ("PRC") transferred to the reserve fund in accordance with local requirements. This legal reserve cannot be distributed or reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off accumulated losses or increasing capital.

Other reserves arise from the delivery of treasury shares under the restricted share plans.

# Notes to Financial Statements

31 December 2022

## 23 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserve.

## 24 SHARE-BASED PAYMENTS

***Equity-settled share option schemes***

The Company has a share option scheme, known as the "Venture Corporation Executives' Share Option Scheme 2015" for qualifying employees of the Group and the Company which was approved on 25 April 2014 and commenced on 1 January 2015 (the "2015 Scheme"). The scheme is administered by the Remuneration Committee. Options are exercisable at a price determined with reference to market price of shares at the time of grant of the options and adjusted for certain premium depending on when the options are exercised, and may be exercised during the exercise period applicable to those options and in accordance with a vesting schedule to be determined by the Remuneration Committee on the date of the grant. The vesting period is three years with effect from June 2022 grant, prior to which, the vesting period was one year. If the options remain unexercised after a period of five years from the date of grant, the options would lapse. Options are cancelled if the employee leaves the Group.

Details of the share options outstanding during the year under the 2015 Scheme are as follows:

| | The Group and the Company | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Number of share options | Weighted average exercise price $ | Number of share options | Weighted average exercise price $ |
| Outstanding at beginning of year | 2,012,500 | 18.56 | 2,652,500 | 18.06 |
| Granted during the year | 752,500 | 17.17 | – | – |
| Exercised during the year | (390,000) | 13.64 | (480,000) | 11.92 |
| Cancelled during the year | (285,100) | 16.88 | (160,000) | 19.56 |
| Outstanding at end of year | 2,089,900 | 16.88 | 2,012,500 | 18.56 |
| Exercisable at end of year | 1,359,000 | 17.51 | 2,012,500 | 18.56 |

The weighted average share price at the date of exercise for share options exercised during the year was $17.66 (2021 : $19.82). The options outstanding at the end of the year have a weighted average remaining exercisable period of 2.9 years (2021 : 2.6 years).

The Group recognised total expenses of $245,000 (2021 : $250,000) relating to the share options transactions during the year.

# Notes to Financial Statements

31 December 2022

## 24 SHARE-BASED PAYMENTS (CONT'D)

***Options granted***

The fair values under the respective grants were calculated using the trinomial model with the following inputs:

| | **Options granted on 30 June 2022 under the 2015 Scheme** |
|---|---|
| Grant Ref No. | 2015 Grant 8 |
| Estimated fair value of options granted on above dates | $2.01 per option |
| Share price at valuation date | $16.63 |
| Exercise price | $17.59 (1)<br>$16.75 (2) |
| Expected volatility | 25.08% (3) |
| Exercise multiple (times) | 1.03 |
| Risk free rate | 2.809% |
| Expected dividend yield | 4.50% |

(1) If exercised between 30 June 2025 and 29 June 2026

(2) If exercised between 30 June 2026 and 29 June 2027

(3) Expected volatility was determined by considering the historical volatility of the Company's share price that commensurate with the contract life of the options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No options were granted under the 2015 Scheme during the financial year ended 31 December 2021.

***Restricted Share Plan (RSP)***

The Venture Corporation Restricted Share Plan (the "RSP 2011") was approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 28 April 2011.

The duration of RSP 2011 is 10 years commencing on 28 April 2011 and expired on 27 April 2021. Awards granted prior to such expiration, whether fully or partially released, will continue to be valid and subject to the terms and conditions of RSP 2011.

Following the expiry of RSP 2011, the Venture Corporation Restricted Share Plan 2021 (the "RSP 2021") was adopted at the Company's Annual General Meeting held on 29 April 2021 for a duration of 10 years.

Managers in senior positions in the Group or leadership positions in management, technology or possess other domain expertise and competencies and who are in a position to contribute or have significantly contributed to the performance, growth and profitability of the Group, as may be designated by the Remuneration Committee, shall be eligible to participate in RSPs. Such managers must have been employed in the Company and/or its subsidiaries for a specified tenure as determined by the Remuneration Committee.

The RSP 2011 and RSP 2021 are administered by the Company's Remuneration Committee.

# Notes to Financial Statements

31 December 2022

## 24 SHARE-BASED PAYMENTS (CONT'D)

***Restricted Share Plan (RSP) (cont'd)***

Movement in the awards under the RSP 2011 by the Company during the year was as follows:

| | The Group and the Company | |
|---|---|---|
| | 2022 | 2021 |
| At 1 January | 653,000 | 832,000 |
| Granted | – | 148,000 |
| Lapsed | (89,000) | (107,000) |
| Vested | (210,000) | (220,000) |
| At 31 December | 354,000 | 653,000 |

Movement in the awards under the RSP 2021 by the Company during the year was as follows:

| | The Group and the Company | |
|---|---|---|
| | 2022 | 2021 |
| At 1 January | – | – |
| Granted | 126,000 | – |
| Lapsed | – | – |
| Vested | – | – |
| At 31 December | 126,000 | – |

The Group recognised total expenses of $763,000 (2021 : $1,708,000) relating to RSP 2011 and RSP 2021 transactions during the year.

***Awards granted under the RSP 2011 and 2021***

| | 2022 | 2021 |
|---|---|---|
| Vest on | 30 June 2027 | 19 January 2026 |
| Risk-free interest rate | 2.809% | 0.974% |
| Share price at valuation date | $16.63 | $20.21 |
| Expected dividend yield | 4.50% | 4.00% |
| Fair value of the contingent award of shares at grant date using the above inputs (per share) | $13.28 | $16.55 |

The awards have a 5-year vesting period and are subject to the rules of RSP 2011 and RSP 2021.

The mode of settlement of the awards under the RSP 2011 and RSP 2021 may be by way of:

(i) allotment and issue of new shares; and/or

(ii) the delivery of existing shares; and/or

(iii) payment of the equivalent value in cash (after deduction of any applicable taxes and Central Provident Fund and/or other statutory contributions); and/or

(iv) a combination of the above (i), (ii) and (iii)

The 10th and final Award of the RSP shares under RSP 2011 was made on 19 January 2021.

# Notes to Financial Statements

31 December 2022

## 25 REVENUE

| | The Group 2022 $'000 | The Group 2021 $'000 |
|---|---|---|
| Manufacturing, engineering, design and fulfilment services revenue | 3,862,673 | 3,106,666 |
| Dividend income | 1,048 | 791 |
| Total | 3,863,721 | 3,107,457 |

The majority of the revenue is recognised at a point in time, with revenue recognised over time contributing less than 10% of the total revenue.

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period for contracts that have an original expected duration of a year or more.

Where performance obligations are part of a contract that has an original expected duration of a year or less, or if revenue is recognised based on the Group's right to invoice the customer in the amount that corresponds directly with the value of the Group's performance completed to date, no disclosure of transaction price allocated to remaining performance obligations is made in accordance with SFRS(I) 15.120.

| | The Group 2022 $'000 | The Group 2021 $'000 |
|---|---|---|
| Design services | 1,405 | 1,989 |
| Non-recurring engineering services and tooling | 4,357 | 442 |
| Total | 5,762 | 2,431 |

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the next reporting period.

## 26 OTHER INCOME

| | The Group 2022 $'000 | The Group 2021 $'000 |
|---|---|---|
| Government grants | 871 | 1,504 |
| Other income | 1,201 | 906 |
| Total | 2,072 | 2,410 |

# Notes to Financial Statements

31 December 2022

## 27 INVESTMENT REVENUE

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Interest income on bank deposits | 8,918 | 5,443 |
| Gain on disposal of financial asset | 314 | 1,326 |
| Total | 9,232 | 6,769 |

## 28 INCOME TAX

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Income tax on profit for the year: | | |
| Current year | 81,537 | 49,584 |
| Overprovision in prior years | (992) | (2,431) |
| Deferred income tax (Note 17): | | |
| Current year | (253) | 113 |
| Overprovision in prior years | (1,510) | – |
| Total | 78,782 | 47,266 |

Domestic income tax of the Company is calculated at 17% (2021 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total income tax expense for the year can be reconciled to the accounting profit as follows:

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Profit before income tax | 448,896 | 359,588 |
| Income tax expense at statutory tax rate | 76,312 | 61,130 |
| Non-allowable (Non-taxable) items | 2,745 | (3,491) |
| Overprovision of income tax in prior years, net | (992) | (2,431) |
| Overprovision of deferred income tax in prior years, net | (1,510) | – |
| Deferred tax benefits not recognised | 477 | 483 |
| Effect of different tax rates of overseas operations | 12,897 | 13,060 |
| Tax-exempt income / Income under concessionary tax rate | (10,534) | (21,185) |
| Utilisation of deferred tax benefits previously not recognised | (431) | (394) |
| Other items | (182) | 94 |
| Total income tax | 78,782 | 47,266 |

# Notes to Financial Statements

31 December 2022

## 28 INCOME TAX (CONT'D)

The income tax for the Group differs from the amount determined by applying the statutory tax rates primarily due to certain tax incentives granted to the Company and its subsidiaries.

Management has assessed the achievability of the qualifying terms and conditions of the tax incentives awarded to the Company and some of its subsidiaries in the current and previous financial years, and management is of the view that the Company and its subsidiaries will endeavour to satisfy all qualifying terms and conditions. Accordingly, tax provisions for the Group have been made on the basis that the tax incentives will be utilised.

Subject to agreement with the relevant tax authorities, the Group has the following available for offsetting against future taxable income:

| | Tax losses carryforward $'000 | Capital allowance carryforward $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 January 2021 | 14,859 | 1,188 | 16,047 |
| Amount in current year | 2,443 | 789 | 3,232 |
| Amount utilised in current year | (2,605) | (362) | (2,967) |
| Balance at 31 December 2021 | 14,697 | 1,615 | 16,312 |
| Amount in current year | 2,792 | 13 | 2,805 |
| Amount utilised in current year | (922) | (1,615) | (2,537) |
| Balance at 31 December 2022 | 16,567 | 13 | 16,580 |
| Deferred tax benefit on above not recorded: | | | |
| At 31 December 2022 | 2,816 | 2 | 2,818 |
| At 31 December 2021 | 2,498 | 275 | 2,773 |

At the end of the reporting period, the aggregate amount of deferred tax liabilities in respect of temporary differences associated with undistributed earnings of subsidiaries that have not been recognised is $26,673,000 (2021 : $23,118,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# Notes to Financial Statements

31 December 2022

## 29 PROFIT FOR THE YEAR

Other than as disclosed elsewhere in the financial statements, profit for the year has been arrived at after charging (crediting):

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Cost of inventories recognised as expense | 2,923,640 | 2,297,894 |
| Loss (Gain) on disposal of plant and equipment, net | 55 | (115) |
| Allowance for inventory provisions (Note 10) | 767 | 7,948 |
| Directors' remuneration: | | |
| – Directors of the Company | 10,138 | 7,790 |
| – Directors of the subsidiaries | 10,745 | 9,271 |
| – Directors' fees payable to Directors of the Company | 817 | 858 |
| Total Directors' remuneration | 21,700 | 17,919 |
| Employee benefits expense (including Directors' remuneration): | | |
| – Equity settled share-based payments | 1,008 | 1,958 |
| – Defined contribution plans | 27,413 | 25,366 |
| – Salaries | 333,192 | 300,026 |
| Total employee benefits expense (i) | 361,613 | 327,350 |

(i) In 2021, Job Support Scheme grant income of $1,984,000 was netted against employee benefits expenses.

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Impairment loss on financial assets: | | |
| – Loss allowance recovered | (68) | – |
| – Net re-measurement of loss allowance (Note 7) | 405 | 162 |
| | 337 | 162 |
| Audit fees: | | |
| – Paid to auditors of the Company | 423 | 423 |
| – Paid to other auditors | 177 | 177 |
| Total audit fees | 600 | 600 |
| Non–audit fees: | | |
| – Non-audit fees paid to other auditors | 2 | 4 |
| Aggregate amount of fees paid to auditors | 602 | 604 |
| Interest expense on lease liabilities | 517 | 423 |
| Expense relating to short-term leases and leases of low value assets | 3,648 | 1,565 |

# Notes to Financial Statements

31 December 2022

## 30 EARNINGS PER SHARE

| | The Group | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Basic $'000 | Diluted $'000 | Basic $'000 | Diluted $'000 |
| Profit for the year attributable to owners of the Company | 369,617 | 369,617 | 312,051 | 312,051 |
| | Number of shares '000 | | Number of shares '000 | |
| Weighted average number of ordinary shares used to compute earnings per share | 290,878 | 291,528 | 290,408 | 291,599 |
| Earnings per share (cents) | 127.1 | 126.8 | 107.5 | 107.0 |

## 31 CAPITAL EXPENDITURE COMMITMENTS

| | The Group | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Estimated amounts committed for future capital expenditure but not provided for in the financial statements | 30,087 | 32 |

In 2022, a subsidiary of the Group entered into a contract for construction of a building and related renovation works which costs $45,000,000. As at 31 December 2022, $16,558,000 had been paid and recorded as Asset under Construction in Note 13.

# Notes to Financial Statements

31 December 2022

## 32 SEGMENT INFORMATION

The Group operates predominantly as a provider of manufacturing, engineering, design and fulfilment services to the electronics industry. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance are as follows:

(i) Advanced Manufacturing & Design Solutions ("AMDS").

(ii) Technology Products & Design Solutions ("TPS").

Accordingly, the above are the Group's reportable segments under SFRS(I) 8 *Operating Segments*.

Segment revenue and results

| | **Advanced Manufacturing & Design Solutions $'000** | **Technology Products & Design Solutions $'000** | **Eliminations $'000** | **Group $'000** |
|---|---|---|---|---|
| 2022 | | | | |
| Revenue: | | | | |
| External sales | 1,919,450 | 1,944,271 | – | 3,863,721 |
| Inter-segment sales | 14,337 | 14,284 | (28,621) | – |
| Total revenue | 1,933,787 | 1,958,555 | (28,621) | 3,863,721 |
| Results: | | | | |
| Segment profit | 196,492 | 239,921 | – | 436,413 |
| Foreign currency exchange gain | | | | 3,447 |
| Investment revenue | | | | 9,232 |
| Finance costs | | | | (517) |
| Share of profit of associate | | | | 321 |
| Profit before income tax | | | | 448,896 |
| Income tax expense | | | | (78,782) |
| Profit for the year | | | | 370,114 |
| 2021 | | | | |
| Revenue: | | | | |
| External sales | 1,563,448 | 1,544,009 | – | 3,107,457 |
| Inter-segment sales | 18,183 | 17,070 | (35,253) | – |
| Total revenue | 1,581,631 | 1,561,079 | (35,253) | 3,107,457 |
| Results: | | | | |
| Segment profit | 160,134 | 188,694 | – | 348,828 |
| Foreign currency exchange gain | | | | 4,215 |
| Investment revenue | | | | 6,769 |
| Finance costs | | | | (423) |
| Share of profit of associate | | | | 199 |
| Profit before income tax | | | | 359,588 |
| Income tax expense | | | | (47,266) |
| Profit for the year | | | | 312,322 |

# Notes to Financial Statements

31 December 2022

## 32 SEGMENT INFORMATION (CONT'D)

Segment revenue and results (cont'd)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents profit earned by each segment without allocation of foreign currency exchange gain, investment revenue, finance cost, share of profit of associate and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets

| | **Advanced Manufacturing & Design Solutions $'000** | **Technology Products & Design Solutions $'000** | **Group $'000** |
|---|---|---|---|
| 31 December 2022 | | | |
| Segment assets | 1,629,196 | 2,092,150 | 3,721,346 |
| Investment in associate | | | 799 |
| Other financial assets | | | 25,429 |
| Deferred tax assets | | | 3,829 |
| Consolidated total assets | | | 3,751,403 |
| 31 December 2021 | | | |
| Segment assets | 1,482,367 | 2,123,098 | 3,605,465 |
| Investment in associate | | | 628 |
| Other financial assets | | | 25,454 |
| Deferred tax assets | | | 3,714 |
| Consolidated total assets | | | 3,635,261 |

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investment in associate, other financial assets (Note 12) and deferred tax assets. Goodwill has been allocated to reportable segments as described in Note 16.

# Notes to Financial Statements

31 December 2022

## 32 SEGMENT INFORMATION (CONT'D)

Other segment information

| | Advanced Manufacturing & Design Solutions $'000 | Technology Products & Design Solutions $'000 | Group $'000 |
|---|---|---|---|
| 2022 | | | |
| Additions to non-current assets [1] | 19,815 | 17,738 | 37,553 |
| Depreciation and amortisation | 13,703 | 19,148 | 32,851 |
| Allowance for inventories | 160 | 607 | 767 |
| Net re-measurement of ECL allowance (reversal) | 663 | (258) | 405 |
| Loss (Gain) on disposal of plant and equipment, net | 56 | (1) | 55 |
| Foreign currency exchange adjustment gain | (2,482) | (965) | (3,447) |
| 2021 | | | |
| Additions to non-current assets [1] | 10,373 | 3,888 | 14,261 |
| Depreciation and amortisation | 16,727 | 20,152 | 36,879 |
| Allowance for inventories | 2,927 | 5,021 | 7,948 |
| Net re-measurement of ECL allowance (reversal) | 167 | (5) | 162 |
| Gain on disposal of plant and equipment, net | (59) | (56) | (115) |
| Foreign currency exchange adjustment gain | (2,961) | (1,254) | (4,215) |

(1) Non-current assets other than financial instruments and deferred tax assets.

***Group's revenue by Technology Domains Segments***

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Portfolio A [2] | 1,700,028 | 1,288,392 |
| Portfolio B [3] | 2,163,693 | 1,819,065 |
| Consolidated revenue | 3,863,721 | 3,107,457 |

(2) Portfolio A comprised Life Science, Genomics, Molecular Diagnostics and Related Materials Technology, Medical Devices and Equipment, Healthcare & Wellness Technology, Lifestyle Consumer Technology, Health Improvement Products and Others.

(3) Portfolio B comprised Instrumentation, Test & Measurement Technology, Networking & Communications, Security & Safety, Building Automation, Industrial IOT, Fintech & Advanced Payment Systems, Computing & Productivity Systems, Advanced Industrial Technology, Printing & Imaging, Related Components Technology and Others.

# Notes to Financial Statements

31 December 2022

## 32 SEGMENT INFORMATION (CONT'D)

***Geographical information***

The Group operates in two principal geographical areas - Singapore (country of domicile) and Asia-Pacific (excluding Singapore).

The Group's revenue from external customers and information about its segment assets (non-current assets excluding investment in associate, deferred tax assets and financial assets) by geographical locations are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | **2022 $'000** | **2021 $'000** | **2022 $'000** | **2021 $'000** |
| Singapore | 917,598 | 753,212 | 692,363 | 683,485 |
| Asia-Pacific (excluding Singapore) | 2,751,902 | 2,176,658 | 136,827 | 123,788 |
| Others | 194,221 | 177,587 | 59,250 | 60,671 |
| Total | 3,863,721 | 3,107,457 | 888,440 | 867,944 |

***Information about major customers***

The total revenue for the AMDS segment includes revenue from one customer (2021 : one customer) which individually makes up more than 10% of the Group's total revenue.

## 33 DIVIDENDS

In the financial year ended 31 December 2022, the Company declared and paid:

(i) a final one-tier tax-exempt dividend of $0.50 per ordinary share on the ordinary shares of the Company totalling $145,337,000 in respect of the financial year ended 31 December 2021; and

(ii) an interim one-tier tax-exempt dividend of $0.25 per ordinary share on the ordinary shares of the Company totalling $72,778,000 in respect of the financial year ended 31 December 2022.

In respect of the financial year ended 31 December 2022, the Directors of the Company propose that a final one-tier tax-exempt dividend of $0.50 per ordinary share be paid to all shareholders. The total estimated dividend to be paid is $145,502,000.

This proposed dividend has not been included as a liability in these financial statements as it is subject to approval by shareholders at the Annual General Meeting to be held in 2023.

In the financial year ended 31 December 2021, the Company declared and paid:

(i) a final one-tier tax-exempt dividend of $0.50 per ordinary share on the ordinary shares of the Company totalling $145,182,000 in respect of the financial year ended 31 December 2020; and

(ii) an interim one-tier tax exempt dividend of $0.25 per ordinary share on the ordinary shares of the Company totalling $72,640,000 in respect of the financial year ended 31 December 2021.

# Notes to Financial Statements

31 December 2022

## 34 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective.

Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective for annual periods beginning on or after 1 January 2024

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

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

**REGISTERED OFFICE OF THE ISSUER**

**UBS AG, London Branch**
5 Broadgate
London
EC2M 2QS
United Kingdom

**ISSUER'S AUDITORS**

**Ernst & Young Ltd**
Aeschengraben 9
P.O. Box 2149 CH-4002 Basel
Switzerland

**LEGAL ADVISERS**
*(as to Singapore law)*

**Allen & Gledhill LLP**
One Marina Boulevard #28-00
Singapore 018989

**WARRANT AGENT**

**The Central Depository (Pte) Limited**
11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589