



ANNUAL REPORT 2020

**UP
STREAM**

MANUFACTURING | DISTRIBUTION | ENVIRONMENTAL SERVICES



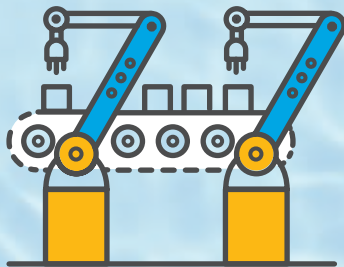
Distribution

- Warehouse holds over 10,000 stainless steel pipes, flanges, buttwelded fittings, low/high pressure fittings, valves, stub ends, and flat products
- Awarded: ISO 9001:2015 standards for quality management operation as stainless steel producer and stockist
- Over 650 customers across the region

Established since 1977 with



44 years solid track records



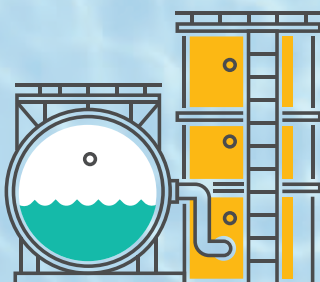
Manufacturing

- Shinsei steel flanges
- Awarded ISO 9001:2015, TUV, CRN, and ClassNK certification and approved for international product standard compliance
- Serve a wide base of customers

Manufacturing Operations are Certified & Awarded with



ISO 9001:2015
TUV, CRN and ClassNK



Environmental and Engineering Services

- Construct and operate industrial wastewater treatment plants in PRC
- Consulting service in water resource management, including governmental and commercial operators in Singapore
- Construct and supply rural wastewater treatment equipment in the PRC

Build-Own-Transfer ("BOT")
Build-Own-Operate ("BOO")
Private-Public- Partnership ("PPP")



>5000
systems sold +

1

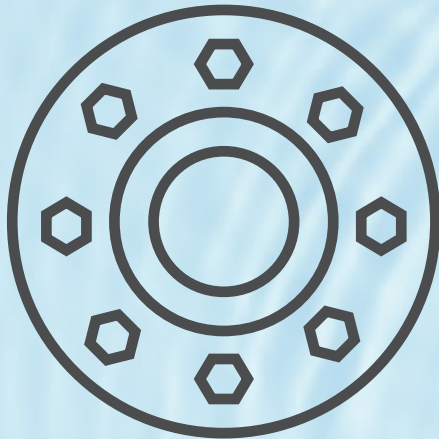
rural wastewater business under PPP model +

8

industrial wastewater treatment plants under BOT/BOO model

Vision

To be a global leader in stainless steel piping products, known for our outstanding quality and unique upstream and downstream capabilities, from manufacturing to distribution to engineering construction and environmental business.



About AnnAik

Tracing its beginning to 1977, AnnAik Limited is today a manufacturer of forged steel flanges, and a distributor of over 10,000 stainless steel pipes, flanges, butt-welded fittings, low/high pressure fittings, valves, stub ends, and flat products. AnnAik also engages in providing environmental services in the PRC and Singapore to governmental and commercial operators.

AnnAik's manufacturing operations are certified and awarded with ISO 9001:2015, TUV, CRN and ClassNK certification and approved for international product standard compliance. The reliable quality of AnnAik's products under "SHINSEI" brand also make us greatly sought after by a wide base of customers from around the world.

Similarly, the distribution division serves over 650 customers globally. Awarded: ISO 9001:2015 standards for quality management operation as stainless steel producer and stockist, AnnAik also went on to achieve bizSAFE Level 3 accreditation in 2014.

In 2005, the Group diversified into environmental business by securing contracts to build wastewater treatment plants in PRC. Today, the Group not only has eight wastewater treatment plants in PRC under Build-Own-Transfer ("BOT") or Build-Own-Operate ("BOO") concept, we have also expanded our service offerings to include consulting services in water resource management to governmental and commercial operators in Singapore, as well as the construction and supply of rural wastewater treatment equipment and system in PRC.

Notably, AnnAik's capabilities in both upstream and downstream activities have enabled us to enhance our efficiency and cost competitiveness in our business operations. Furthermore, the use of our products in diverse industries ranging from heavy-duty to light-duty industries such as marine engineering, shipbuilding and repair, oil and gas, petrochemical, semiconductor as well as the utilities sector has empowered the Group to build a sustainable business.

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This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the "Sponsor"). The Annual Report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Annual Report including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Ms Vera Leong, Vice President, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone: +65 6415-9881.

Chairman's Message



Dear Shareholders,

2020 started with an unprecedented outbreak of COVID-19 (Coronavirus Disease 2019) which has badly affected the economy of Singapore and the world. We have experienced series of events including Circuit Breaker imposed in 2nd quarter of 2020 and gradually move on to phase one and phase two in 3rd quarter and 4th quarter of 2020 respectively, to battle for the virus spread in Singapore. The recent open up for phase three in conjunction with low community spread and the availability of vaccine will help our economy to recover and improve business activities in 2021. As a result, the Ministry of Trade and Industry ("MTI") is maintaining Singapore's Gross Domestic Product ("GDP") growth forecast at 4 to 6 per cent for 2021. Our management is committed to play our part as a socially responsible enterprise to prevent the spread of COVID-19 by adhering with the local guidelines. We are prepared for a new operating approach under the new operating environment in 2021.

Delivering Performance in a Unprecedented Year

Despite business disruption during Circuit Breaker in Singapore, Movement Control Order in Malaysia and tightening control in People's Republic of China ("PRC") where our main businesses are, AnnAik was able to continually build on our transformation strategy and achieve S\$0.18 million profit attributable to owners of the Company for the financial year ended 31 December 2020. In 2020, we are extremely cautious in navigating our businesses through the storm with two key strategies, i.e. capturing of mid to long term business opportunities by capitalising on our core strengths, and effective cost and cash management.

Chairman's Message

The management believes that such prudent expansionary strategies in our core businesses during this downturn will bring value to our stakeholders in the long run.

A few notable developments in the year had contributed to the improvement in the Group's operating results. Amongst which, the successful completion of a strategic step-up acquisition of 6% shareholding in a few wastewater treatment plants, the stable commercial operations in two newly completed wastewater treatment plants, improved operating results of existing wastewater treatment plants, all under environmental business and the adoption of asset-light strategy with improvement in the utilisation of plants following the disposal of property and plant in its manufacturing business.

The recent upgrading projects secured in Changxing Linsheng Wastewater Treatment Co., Ltd and Changxing Wusheng Wastewater Treatment Co., Ltd together with subsequent two more upgrading projects are expected to roll out in 2021 and 2022. Those upgrading projects will continually enhance our assets value and able to generate a long term healthy recurring income and cash flows in our environmental business to the Group. The fulfilment of environmental projects secured earlier under the EPC model for hazardous wastewater division in Singapore and PRC also contributed positively to the results of the Group in 2020. It is heartening to note that the environmental division has proven to be growing even in current tough market condition and is expected to maintain its momentum.

Realising Growth Opportunities

Given the uncertain operating environment especially during the lock down in 2nd quarter of 2020 in Singapore and Malaysia, our distribution and manufacturing businesses registered weaker growth. Nevertheless, we have diversified our focus in distribution business beyond traditional oil and gas and shipbuilding industries to healthcare and high technology infrastructural projects in Singapore and surrounding countries. In addition, we also widen our trading products range from steel related products to chemical related products such as phenol or acetone through our extensive network in China and the regions. We believe such diversification will provide us a new growth engine in 2021 and beyond for our distribution business.

Looking Ahead

With the gradual roll out of vaccine globally and the subsequent uplift of travelling restriction, global trade activities are expected to improve in 2021 as compared to 2020. We have position well to tap on our extensive track records in environmental business, from municipal to industrial and commercial hazardous wastewater capabilities to bid for projects and tenders in the market.

Our distribution of steel and manufacturing business have seen a recovery especially in the 4th quarter of 2020. We believe the momentum of recovery can be sustainable over 2021. By continuing building up our order book in distribution of steel business, the Group, as a major stockist and distributor locally and regionally will monitor the economic and demand trends so as to manage its product mix, pricing and inventory.

The Group is working hard to open up new avenues of growth while cautiously navigating the market uncertainties that may persist for quite some time. We are committed to build a resilient team in both Singapore and overseas markets and perform intensive marketing to promote our core competencies in both steel distribution and water treatment businesses.

Dividend

The Board of Directors is pleased to propose a first and final one-tier tax-exempt dividend of 0.1 Singapore cent per share for the year ended 31 December 2020. The dividend will be paid out to shareholders upon approval at the annual general meeting.

In Appreciation

AnnAik, similar to other companies had an unprecedented year in 2020. We managed to deliver a positive results despite the challenging operating environment. This is an achievement belonging to not only AnnAik, but also to our shareholders, customers, vendors and business partners. Their continued support, trust and confidence in us have strengthened our resolve to work harder and to do better. Of course, we also recognise that these results would have been impossible without the invaluable contributions from our Board, management and staff. We remain committed to realising our strategic objectives and achieving our profitability goals.

James Ow Chin Seng

Executive Chairman cum CEO

Board of Directors



Mr Ow Chin Seng, PBM

Executive Chairman cum CEO

Date of appointment: 31 March 1990
Date of last re-election: 30 April 2019

Mr Ow Chin Seng joined the Company in 1978. As Executive Chairman cum CEO, Mr Ow is primarily responsible for the business and strategic development of the Group. With over 40 years of experience in the hardware and steel industry, Mr Ow has been instrumental in the strategic direction and development of the Group.

Mr Ow is currently the President of Singapore-China Business Association, Vice-Chairman of Trade Association & Membership Affairs Committee of SCCCI, Council member of Singapore-Zhejiang Economic & Trade Council and Permanent honorary president of Singapore Metal & Machinery Association. He is also active in public service activities, serving as a member on the committees of several public organisations, such as Advisor of School Advisory Committee for Pei Tong Primary School, Patron of Bukit Gombak Constituency Citizen's Consultative Committee and Honorary Chairman of Singapore Wushu Dragon & Lion Dance Federation. He was awarded the title of Pingat Bakti Masyarakat (PBM) during the National Day Award Ceremony in 2007.

Mr Ow Eei Meng Benjamin

Executive Director cum
Deputy Chief Executive Officer

Date of appointment: 1 March 2015
Date of last re-election: 30 April 2018

Mr Benjamin Ow worked in the Company's IT department from 2007 to 2008 before going on to pursue further studies. Rejoining the Company in February 2013 as Assistant to Executive Chairman cum CEO and Supply Chain Manager of Distribution Business in Singapore, Mr Ow was subsequently appointed as an Executive Director in March 2015 and as Deputy Chief Executive Officer in July 2018. His current roles are to assist the Chief Executive Officer in managing the strategic direction of the Company and oversee operations. Mr Ow holds a Master of Commerce from Macquarie University, Australia and Degree in Computing from the National University of Singapore.

Mr Ng Kim Keang

Executive Director cum
Chief Operating Officer

Date of appointment: 3 January 2005
Date of last re-election: 29 April 2020

Mr Ng Kim Keang joined the Company in January 2003 as Financial Controller, and was promoted to Executive Director in January 2005 and Chief Operating Officer in March 2015. Currently, Mr Ng is responsible for managing the overall operations and the finance and accounting matters of the Group. Prior to joining the Company, Mr Ng worked in Deloitte & Touche, Malaysia, and Ernst & Young, Singapore. Mr Ng holds a Bachelor of Commerce from the University of Adelaide, Australia, and is a full member of CPA Australia and CA Singapore.

Board of Directors



Ms Tan Poh Hong Independent Director

Date of appointment: 26 July 2018
Date of last re-election: 30 April 2019

Ms Tan Poh Hong was the Chief Executive Officer of Agri-Food & Veterinary Authority (AVA) of Singapore from 2009 – 2017. She was instrumental in transforming and expanding the organisation's mandate to cater to new challenges facing the country. In particular, she built up the organisation's capabilities to manage and strengthen Singapore's food security.

Prior to her appointment at AVA, Ms Tan was the Deputy CEO of the Housing and Development Board (HDB) from 2004 to 2009. She also held various staff and operation headship positions throughout the HDB, including oversight of corporate governance, organisational development and transformation, human resource management, public communications, and community engagement. She holds a BSc (Hons) in Estate Management from the National University of Singapore (1981), and a Master of Business Administration (with Distinction) from New York University (1988). She was awarded the Public Administration Medal (Gold) in 2013, and the Public Service Medal in 1999 by the Singapore Government.

Present directorship in listed companies: Sheng Siong Group Ltd., Centurion Corporation Limited, Vicom Ltd and APAC Realty Ltd.

Past directorships held over preceding three years in listed companies: Nil

Mr Gan Thiam Poh Independent Director

Date of appointment: 30 September 2019
Date of last re-election: 29 April 2020

Mr Gan Thiam Poh is appointed on 30 September 2019 as an Independent Director of AnnAik Limited. Mr Gan has worked at DBS Bank since 2002 and is currently the Senior Vice President of Private Banking, DBS Bank Ltd. He has been in the Banking and Finance Industry since 1989 and held several leadership and senior roles in Institutional Banking.

In his current role, he advises high-net-worth and ultra-high net-worth families with valuable wealth planning solutions.

He has been the Member of Parliament since 2011 and is currently the Member of Parliament for Ang Mo Kio Group Representation Constituency from 2015 to present and the Deputy Chair of Government Parliamentary Committee; Environment and Water Resources (including Climate Change). He was also the member of Singapore Parliament Select committee (Public Accounts). He was the Audit Committee Chairman and Independent Director of Mainboard Listed Ouhua Energy Holdings Limited. Mr Gan holds a Bachelor of Science (Economics and Mathematics) degree from the National University of Singapore.

Present directorship in listed companies: Nil

Past directorships held over preceding three years in listed companies: Nil

Mr John Lim Geok Peng Independent Director

Date of appointment: 11 July 2017
Date of last re-election: 29 April 2020

Mr John Lim Geok Peng is Audit and Assurance Partner as well as HR and Training Partner at PKF-CAP LLP. He graduated with Bachelor of Accountancy from National University of Singapore and is a practicing member of the Institute of Singapore Chartered Accountant as well as CPA (Australia).

Mr Lim serves as a member of ACRA's Complaints and Disciplinary Committee. He is also appointed as a lay person on the Inquiry Panel of the Legal Profession Act. Previously, Mr Lim was a member of the Public Accounting Practice Committee of the Institute of Singapore Chartered Accountant. He was also previously the Deputy Director and Head of the Practice Monitoring Division of ISCA, Co-Managing Director of a public accounting firm and CFO of a large non-profit organization.

Present directorship in listed companies: Nil

Past directorships held over preceding three years in listed companies: Nil

Group Structure

As at 31 December 2020



MANUFACTURING BUSINESS



DISTRIBUTION BUSINESS



ENVIRONMENTAL & ENGINEERING BUSINESS



- Rural Wastewater Treatment Business
- Industrial & Municipal Wastewater Treatment Business
- Hazardous Wastewater Treatment Business

Operations Review

2020 turned out to be one of the most challenging years in our corporate history. The Group, similar to other companies in market was required to operate with an extremely cautious and prudent approach while adhering to the local guidelines imposed by government, and trying to maintain positive operating results in this unprecedented outbreak of COVID-19 (Coronavirus Disease 2019). With conscious efforts from our staff and management, the Group's profit after tax for the year ended 31 December 2020 was S\$1.83 million as compared to S\$3.48 million recorded in the prior year. The dip in results was mainly due to a one-off gain on bargain purchase from fair value exercise for the strategic step-up acquisition of 20% in HuZhou ShuangLin amounting to S\$1.72 million and gain from disposal of property, plant and equipment in Lin Xing Water Supply of S\$1.47 million offset with impairment loss on goodwill amounting to S\$0.84 million recognised as other income in FY2019. After excluding these one-off incomes in FY2019, the Group's profit after tax for current year showed an improvement of S\$0.70 million from S\$1.13 million in FY2019 to S\$1.83 million in FY2020.

The improvement of the operating results was mainly due to the improved gross profit contributed from its industrial cum municipal wastewater treatment division and hazardous wastewater treatment division under the environmental business as well as other income recognised in relation to the subsidies given by the government during the COVID-19 pandemic. The Group's profit attributable to owners of the company for the year ended 31 December 2020 was S\$0.18 million after taking into account the allocation of profit to minority shareholders of non-fully owned subsidiaries especially from the environmental business and the full share of weakened results from the distribution of steel products and other business units.

Distribution of Steel Products Business

Continuing to be the main pillar of our Group's business, distribution of steel products was able to maintain slightly higher turnover in 2020. This was achieved under its trading of steel products division for fulfilment of contracts secured previously. However, lower revenue derived from distribution of steel piping division in Singapore amounting to S\$2.65 million was attributed to negative impact of Circuit Breaker measures imposed by the Singapore government to curb the spread of COVID-19 since 2nd quarter of 2020.

Manufacturing of Steel Flanges Business

Meanwhile, the Group continued to reap the benefits from an earlier cost-cutting exercise and adoption of assets-light business model for our manufacturing of steel flanges business. The operating results of Shinsei Industry Sdn Bhd was in marginal profit position even under the strict Movement Control Order imposed by the Malaysia government to curb the spread of COVID-19 in 2020. Coupled with the strategy to dispose its plant and property in early 2020, the available space of the plant in Penang, Malaysia was rented out to the buyer since July 2020 and only pending for their final completion in February 2022 according to contract. The utilisation rate of plants improved and ultimately cushioned the drop in turnover and gross profit during the year. After the completion of the final disposal in February 2022, the operating results of our manufacturing of steel flanges business is expected to be in healthy profit position. The available proceeds amounting RM 29.1 million or S\$9.70 million is considered as a return of cash flows from investing activities and ready for the Group to deploy in other businesses.

Environmental Business

For the environmental business, 2020 proved to be another stable year despite some negative impact of lock down in PRC for our 25%

owned associate; rural wastewater treatment division. Both hazardous wastewater treatment and industrial cum municipal wastewater divisions registered a higher gross profit and gross profit margin with improved operating results. These were achieved due to our continuing efforts in transformation strategy especially with two newly set up plants in successful commercial operations since beginning of 2020, step-up acquisition to increase our shareholding, stable operations for all the existing plants and additional Engineering Procurement and Construction ("EPC") projects secured with better margin and prudent cost management during the year. Moreover, we were also able to declare yearly dividend from industrial cum municipal wastewater division since 2019 to Singapore headquarter as reward for our long-term investment.

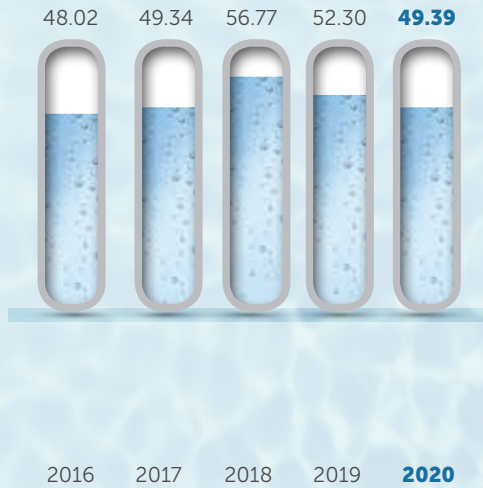
Financial Position Review

The Group maintained a healthy and positive working capital of S\$26.20 million or current ratio of 1.83 times with current assets of S\$57.85 million and current liabilities of S\$31.65 million as at 31 December 2020. The cash and cash equivalents as at 31 December 2020 increased by S\$4.06 million to S\$15.05 million. The increase was contributed by net cash inflows generated from its operating activities and additional bank borrowings drawn down to support daily operations under financing activities. As a result of prudence in cash and cost management adopted in 2021, our net cash outflows for the additions to intangible assets, rights-to-use assets and purchase of property, plant and equipment was only S\$1.71 million under investing activities. Group's net asset per share as at 31 December 2020 was 20.84 cents and weighted average profit per share was 0.06 cents.

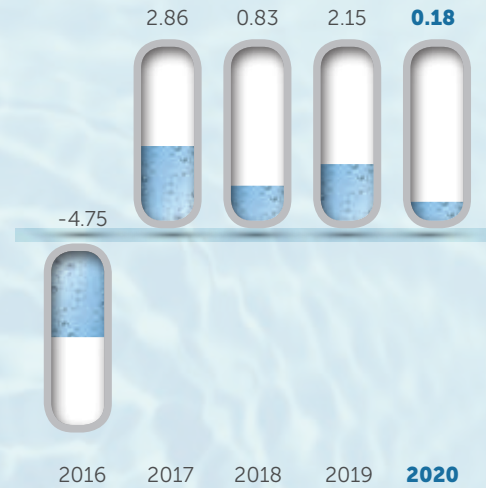
The Group will continue to manage its capital in order to maximise the return to shareholders through the optimisation of the debt and equity balance.

Financial Highlights

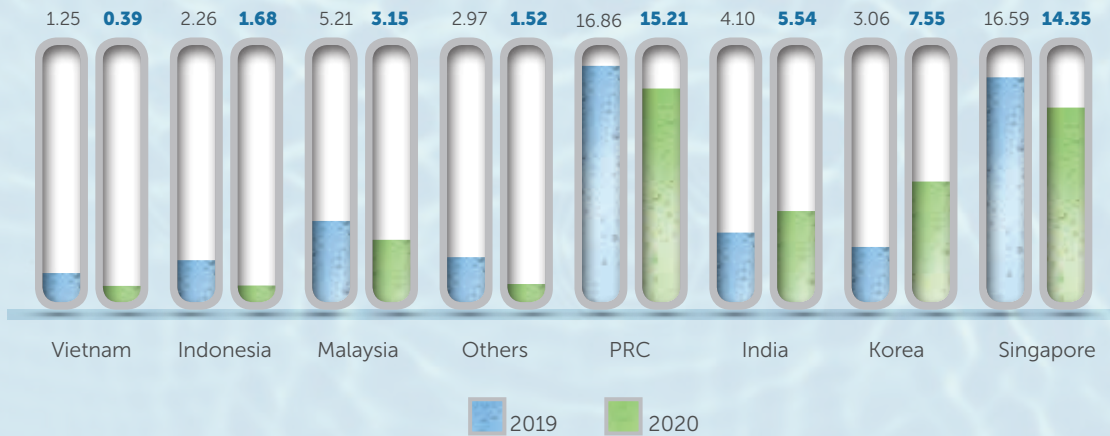
Turnover
(S\$ Million)



Net Profit Attributable to Owners of the Company
(S\$ Million)



Turnover by Geographical Area
(S\$ Million)



Corporate Governance Report

The Board of Directors (the “**Board**”) of AnnAik Limited (the “**Company**”) is committed to high standards of corporate governance and transparency within the Company and its subsidiaries (collectively referred to as the “**Group**”). The Board believes that good corporate governance includes an ethical environment and enhances the interest of all shareholders. This includes establishing an appropriate culture, values and ethical standards of conduct at all levels of the Company.

This report outline the corporate governance framework and practices of the Company with specific reference made to the principles and guidelines of the Singapore Code of Corporate Governance 2018 (the “**Code**”), which was revised on 6 August 2018 and the accompanying Practice Guidance, which supersedes the existing Code of Corporate Governance issued in 2012, and other applicable laws, rules and regulations, including the Catalist Rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”).

The Board confirms that for the financial year ended 31 December 2020 (“**FY2020**”), the Company has adhered to the principles and guidelines as outlined in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Company is headed by an effective Board which comprises 6 Directors of whom the Chairman is a Non-Independent and Executive Director, 2 are Executive Directors and 3 are Independent Directors. Together, the Directors command a wide range of business, legal and financial experience that collectively contribute to the success of the Group. The Board oversees the business activities, overall management, formulate strategic direction and performance of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders and stakeholders.

Apart from its statutory responsibilities, the Board performs the following roles and functions:

- (a) review and approve corporate strategies, financial objectives and directions of the Group;
- (b) establish goals for management and monitoring the achievement of these goals;
- (c) ensure management leadership of high quality, effectiveness and integrity;
- (d) approve annual budgets, major funding proposals and investment proposals;
- (e) review internal controls, risk management, financial performance and reporting compliance; and
- (f) assume responsibility for corporate governance.

The Board makes decisions in material matters such as major funding proposals, acquisitions and divestments, disposal of major assets, corporate or financial restructuring, share issuances, dividends, annual budgets and financial plans of the Group, half yearly and annual financial reports, internal controls and risk management strategies and execution and other matters which require Board approval as specified under the Company’s internal policy. All the matters that require Board approval has been clearly communicated to the Management in writing by way of circulating the resolutions or recording in the minutes of the Board Meeting.

While matters relating in particular to the Company’s objectives, strategies and policies require the Board’s direction and approval, Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and

Corporate Governance Report

ethics, sets appropriate tone- from-the-top and desired organisational culture, and ensures proper accountability within the Company. The Board has set up procedures for dealing with conflicts of interest. Where Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict.

Board Processes

The Company has scheduled regular meetings for this financial year. Ad-hoc meetings are convened when circumstances require. The Company's Constitution (the "**Constitution**") allows a board meeting to be conducted by way of a telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other. When circumstances require, ad-hoc Board meetings will be arranged. The Board meets to review and discuss corporate strategies, key activities and major issues of the Group. The Board also ensures that effective management is in place and oversees the proper conduct of the Group's business.

To ensure that specific issues are subject to considerations and review before the Board makes its decisions, the Board is supported by the 3 Board Committees, namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), responsible for making recommendations to the Board. These Board Committees operate within clearly written terms of reference setting out their compositions, authorities and duties. The Chairman of each of the Board Committees report to the Board on the outcome of the Board Committees' meetings. The terms of reference play an important role in ensuring good corporate governance in the Company and within the Group and will be reviewed by the respective Board Committees on a regular basis to enhance the effectiveness of these Board Committees. The minutes of all Board and Board Committees' meetings, which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meetings, are circulated to the Board and Board Committees. The roles and responsibilities of these Board Committees are provided for in the latter sections of this report on Corporate Governance.

During FY2020, the Board held a total of 4 meetings to review the Group's business operations and financial performance. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for meetings is prepared in consultation with the Executive Chairman, the Executive Directors and/or the Chairman of the Board Committees. The agenda and documents are circulated in advance of the schedule meetings.

To assist the Board in fulfilling its responsibilities, the members of the Board are provided with relevant materials on budgets, forecasts, internal financial statements, material events and transactions complete with background and explanations in a form and quality appropriate to facilitate the Board to make an informed decision prior to each Board meeting. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant developments or events relating to the Group.

As a general rule, board papers are sent to Directors at least three days in advance in order for the Directors to be adequately prepared for the meeting. In addition, the Independent Directors have separate and independent access to the Group's senior management and the advice and services of the Company Secretary who provides the Directors with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

The Company Secretary or her representatives attend all Board and Board Committee meetings, and assists the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. She also ensures that the requirements of the Singapore Companies Act and all other rules and regulations of the SGX-ST are complied with.

The Board exercises its discretion to seek independent professional advice, where necessary, in the furtherance of their duties and at the Company's expense.

Corporate Governance Report

The number of meetings and the participation of each individual Directors at every Board and Board committee meeting for FY2020 are disclosed in the table reflected below:

Directors' attendance at Board and various Board Committees meetings:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Ow Chin Seng	4	4	2	2*	1	1	1	–
Mr Ow Eei Meng, Benjamin	4	4	2	2*	1	–	1	–
Mr Ng Kim Keang	4	4	2	2*	1	–	1	–
Mr Lim Geok Peng	4	4	2	2	1	1	1	1
Ms Tan Poh Hong	4	4	2	2	1	1	1	1
Mr Gan Thiam Poh	4	4	2	2	1	1	1	1

Note:

* Attendance by invitation

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

Director Orientation and Training

The Directors are provided with extensive background information about the Group's history, mission, values and business operations with their roles as Executive and Independent Directors. The Directors have the opportunity to visit the Group's operations facilities and meet with the Management for further explanation, briefings or discussion on key aspects, to gain insight for a better understanding of the Group's business and operations.

The Company will conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. Further, newly appointed Directors will be provided with a formal letter setting out their duties and obligations and appropriate training to ensure that they are fully aware of their responsibilities and obligations of being a Director.

The aim of the orientation program is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. The new Director is also informed about matters such as the Code of Dealing in the Company's securities. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such regulatory changes, the Company provides opportunities for ongoing training on Board processes and best practices as well as updates on changes in legislation and financial reporting standard, regulations and guidelines from SGX-ST that affect the Company and/or the Directors in discharging their duties effectively. There is no new director appointed during the year.

The Company encourages the Directors to attend seminars and receive relevant training programmes and courses to keep abreast of current developments and latest updates on changes in relevant regulations, accounting standards, corporate governance practices and guidelines from the SGX-ST to properly discharge their duties as Directors. In order to keep pace with such regulatory changes, the changes to regulations and accounting standards are monitored closely by the Management. The Company is responsible for arranging and funding the appropriate training and development programmes for the Directors and/or key management personnel of the Company, where relevant.

Corporate Governance Report

The Board as a whole is updated regularly on risk management, corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial standards, so as to enable them to properly discharge their duties as Board or Board Committee members. Our Independent Directors are also engaged full time in their respective profession, keeping themselves updated in their fields of knowledge.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority (“ACRA”), which are relevant to the Directors are circulated to the Board. The Company Secretary informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. The Company Secretary together with the Management also assisted the Directors in ensuring the compliance with their obligations under the relevant rules and regulations, and in the Directors’ professional development to ensure that the Directors to make informed decisions and discharge their duties and responsibilities. The External Auditors would update the AC and the Board on new and revised financial reporting standards annually.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this report, the Board comprises of six (6) Directors, which three (3) of whom are independent. The Directors of the Company as at the date of this statement are:

Executive Directors

Mr Ow Chin Seng, PBM	Executive Chairman cum Chief Executive Officer
Mr Ow Eei Meng, Benjamin	Executive Director cum Deputy Chief Executive Officer
Mr Ng Kim Keang	Executive Director cum Chief Operating Officer

Independent Directors

Mr Lim Geok Peng	Independent Director
Ms Tan Poh Hong	Independent Director
Mr Gan Thiam Poh	Independent Director

The Company maintains a strong and independent element on the Board with the Independent Directors constituting half of the Board. The Independent Directors have confirmed that they do not have any relationship with other Directors, the Company, its related corporations, its substantial shareholders or its officers that could, interfere or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from the Management and its substantial shareholders.

As the Chairman is not an Independent Director, half of the Board is made up of Independent Directors. The Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs, even if the Independent Directors and Non-Executive Directors do not make up a majority of the Board as proposed in the Provisions 2.2 and 2.3 of the Code. Matters requiring the Board’s approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively.

The Board has adopted the Code’s criteria of an Independent Director in its review that all Independent Directors have satisfied the criteria of independence. Having reviewed its size, the Board is of the view that:

- (a) the current arrangement is adequate given that the Independent Directors form at least half of the Board composition; and
- (b) the composition of Directors as a whole provides core competencies necessary to meet the Group’s requirements with an appropriate balance and mix of skills, experiences, knowledge and other aspects of diversity such as gender and age, taking into account the following:
 - (i) the nature and scope of the Group’s operations; and
 - (ii) the Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary.

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The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. Each Independent Director is required to complete a 'Confirmation of Independence' form to confirm his/her independence. The said form, which was drawn up based on the definitions and guidelines set forth in the Code and the NC Guidebook issued by the Singapore Institute of Directors, requires each Director to assess whether he/she considers himself/herself independent despite not having any of the relationships defined in the Code. The NC has reviewed the forms completed by each Independent Director and is satisfied that the present size of the Board is effective for the decision making. The composition of the Board is reviewed at least annually by the NC to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board.

The Company has a good balance of Directors with a wide range of skills, experience and qualities in the fields of operations, management, financial, legal and accounting. Each Director has been appointed on the strength of their own calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

All appointments and re-elections of Directors are reviewed and recommended by the NC to the Board. The Company would conduct a background check on the new candidate and the new candidate would provide the relevant declarations to the NC and Board for review. The independence of each Independent Director is reviewed by the NC and the Board annually in accordance with the guidelines of the Code. Although the Company has not adopted the board diversity policy, the Company has embraced all aspects of diversity in the current Board composition. The Board recognises the importance and value of gender and age diversity, however, the Board's collective view that it should not be considered the main selection and that merit of candidates, the right blend of skills, industry knowledge, needs of the Company, shall remain as priority. Nevertheless, there is currently a female Independent Director on its Board of Directors.

Although all the Directors have an equal responsibility for the Group's operations, the Independent Directors play an important role (i) in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and rigorously examined and developed by taking into account the long-term interests of the shareholders and (ii) in reviewing the performance of Management in meeting agreed goals and objectives and monitoring the performance reporting. The Independent Directors are encouraged to meet, without the presence of Management in order to facilitate a more effective check on Management and feedback is thereafter provided to the Executive Chairman, Executive Directors and Management.

Profiles of the Directors are found on pages 4 and 5 of this Annual Report.

To-date, none of the Independent Directors of the Company have been appointed as Director of the Company's principal subsidiaries, which is based in Singapore and overseas. None of the Independent Directors have served on the Board beyond nine years from the date of his/her appointment.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of Chairman and Chief Executive Officer ("**CEO**") are assumed by Mr Ow Chin Seng ("**Mr Ow**"). As the CEO, Mr Ow is responsible for the day-to-day operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies, the development of the Group and promoting high standards of corporate governance.

The Board established and sets out the division of responsibilities between the Chairman and CEO. As the Executive Chairman, Mr Ow leads the Board and is responsible for the effective working of the Board including:

- scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- setting the meeting agenda of the Board;
- ensuring that Board meetings are held when necessary;

Corporate Governance Report

- facilitating contributions from the Independent Directors and encouraging constructive relationships between the Directors;
- exercising control over the quality, quantity and timeliness of information flow between the Management and the Board;
- ensuring and fostering constructive and effective communication with shareholders;
- promoting a culture of openness and debate at the Board; and
- promoting high standards of corporate governance with full support from the Directors and Management.

As the CEO, Mr Ow is responsible for the effective working of the Group including:

- the day-to-day management of the business;
- setting business directions and ensuring efficiency of the Group;
- formulating and overseeing the execution of the Group's corporate and business strategies set out by the Board; and
- ensuring that the Directors are kept updated and informed of the Group's business.

The Board noted that Provision 3.1 of the Code requires the Chairman and the CEO to be a separate person in order to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making and in view of the recommendation of the Code, Mr Ow Eei Meng, Benjamin was appointed as the Deputy CEO to assist the CEO together with Mr Ng Kim Keang, the Chief Operating Officer ("COO") of the Company to run the overall day-to-day operations of the Group. Currently, the function of the Chief Financial Officer is subsumed by the COO of the Company. The Independent Directors currently form half of the Board and exercise objective judgement on corporate matters impartially, thus ensuring a balance of power and authority. Although the roles and responsibilities of both the Chairman and CEO are vested in Mr Ow, major decisions are made in consultation with the Board, Therefore, the Board is of the opinion that the process of decision making by the Board has a strong independent element and provides for collective decisions without any individual or small group of individuals dominating the Board's decision making.

As the above practices deviate from the principles 2.2, 3.1 and 3.3 as recommended by the Code, the Board is progressively taking steps to re-constitute the composition of the Board members and/or appointing the Lead Independent Director to be in line with the Code.

All the Independent Directors meet at least once annually without the presence of the Executive Directors to discuss matters of significance, which are thereon reported to the Chairman accordingly. Hence, the Board believes that notwithstanding the Chairman and CEO are the same person, the current composition of the Board is able to make precise objective and prudent judgement on the Group's corporate affairs. Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the relevant Board committee. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and are based on collective decisions without any individual exercising any considerable concentration of power or influence.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

As at the date of this report, the Board established the NC which comprises of 4 Directors, a majority of whom, including the NC Chairman, are Independent Directors. The NC is chaired by an Independent Director, Mr Gan Thiam Poh. The NC members are Mr Lim Geok Peng, Ms Tan Poh Hong and Mr Ow. The NC Chairman is also a Director who has no relationship with the Company, its related corporations, its substantial shareholders or its officer and is not directly associated with substantial shareholders.

Corporate Governance Report

The NC is regulated by its terms of reference and its key responsibilities include:

- (a) reviewing, assessing and recommending to the Board of all Board appointments and nomination of Directors (including alternate Directors, if any), having regard to their contributions and performance based on a formal and transparent process;
- (b) determining annually whether or not a Director is independent;
- (c) reviewing regularly the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the Directors as a Group. The NC shall make recommendations to the Board with regards to any adjustments that are deemed necessary;
- (d) deciding whether or not a Director is able to and has been adequately carrying out duties as a Director;
- (e) deciding the manner and criteria for evaluation of the performance of the Board, its Board Committees and individual Directors in which their performance may be evaluated and propose objective performance criteria for the Board's approval;
- (f) reviewing the training and professional development programmes for the Board and its Directors; and
- (g) making recommendation to the Board on the review of succession plans for all Directors, in particular the appointment and/or replacement of the Chairman, CEO and the key management personnel.

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In accordance to Regulation 121 of the Company's Constitution, it requires one-third of the Board to retire and submit themselves for re-election by shareholders at each Annual General Meeting ("**AGM**"). In addition, Regulation 125 of the Company's Constitution provides that every new Director must retire and submit themselves for re-election at the next AGM of the Company following his or her appointment during the year. A retiring Director is eligible for re-election at the meeting at which he or she retires.

The NC held one (1) meeting during the financial year. The NC has reviewed the independence of Mr Lim Geok Peng, Ms Tan Poh Hong and Mr Gan Thiam Poh in accordance with the Code's definition of independence and is satisfied that there are no relationship which would deem any of them not to be independent.

Currently, the Company does not have any alternate Director being appointed to the Board during the FY2020.

The NC decides how the Board's performance is evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders' value. The Board also implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole and its Board Committees annually.

Despite some of the Directors having multiple Board representations, the NC has reviewed the Directorships of the Directors and is satisfied that these Directors are able to, and have adequately carried out their duties as Directors of the Company after taking into the consideration the number of listed company board representations and other principal commitments of these Directors. Currently, the NC and Board do not limit the maximum number of listed Board representations which any Director may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company. The NC and Board believe that each individual director is best placed to determined and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments.

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In respect to FY2020, the NC conducts an annual review of the balance, diversity and size of the Board to determine any changes are required in relation to the Board composition. Where new directors are required, the NC will identify evaluates and selects suitable candidates for new Directorships. The NC considers factors such as the ability of the prospective candidates to contribute to discussions, the composition of the Board including the mix of expertise, skills and attributes to the existing Directors so as to identify needed and/or desired competencies to supplement the Board's existing attributes. After the Board endorsed the attributes, the NC taps into the resources of the Directors' contacts and/or engages external consultants to source for potential candidates. The NC will review and shortlist candidates and provide a recommendation for Board approval.

In respect to FY2020, the NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs and is satisfied that Directors are able to and have adequately carried out his or her duties as Directors of the Company and has contributed to the effectiveness of the Board as a whole and its Board Committees.

In accordance with Regulation 121 of the Constitution of the Company, at each AGM, not less than one-third of the Directors are required to retire from office by rotation. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years.

With regard to the re-election of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the Constitution of the Company. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and any other factors as may be determined by the NC.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his/her re-nomination as a Director. Pursuant to Regulation 121 of the Constitution of the Company, Mr Benjamin Ow Eei Meng and Ms Tan Poh Hong, shall retire at the forthcoming AGM. Mr Benjamin Ow Eei Meng and Ms Tan Poh Hong have been nominated for re-election and have abstained from the voting process.

Mr Benjamin Ow Eei Meng, while eligible for re-election, has expressed his intention not to seek for re-election due to his personal commitments at the forthcoming AGM to be held on 30 April 2021. The NC, in accordance with the Constitution of the Company, has recommended that Ms Tan Poh Hong, who retires by rotation pursuant to Regulation 121 of the Constitution of the Company, be nominated for re-election at the forthcoming AGM. The details of the Director seeking for re-election are found in Table A set out on page 29 to page 31 of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, that of each of Board Committees and individual Directors.

In line with the principles of good corporate governance, the Board has implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole, its Board Committees and individual directors annually. The appraisal process focused on a set of performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, board processes, board performance in relation to discharging its principal responsibilities, communication with the key management personnel and standards of conduct of the Directors. This encourages constructive feedback from the Board and leads to enhance its performance over time.

During the financial year under review, each Director was required to complete the evaluation form and individual Director's assessments adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, Board Committees and each Director's contributions, and the results have been collated by the Chairman of NC for review or discussion.

Corporate Governance Report

In assessing the Board's performance as a whole and its Board Committees, both quantitative and qualitative criteria are considered. Such criteria include consideration of the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peer and the achievement of strategic objectives.

The NC, in considering the re-appointment of any Director, evaluates the performance of the Director. The NC had implemented a process to be carried out by the NC to assess the effectiveness of the Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. The results of the Board and Board Committees' assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken. The NC has full authority to engage an external facilitator to assist the NC to carry out the evaluation process, if the need arises.

Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

Board Committees

Certain functions have been delegated to various Board Committees, namely, the AC, RC and NC. The members of these committees are set out as below:

Nominating Committee

Mr Gan Thiam Poh	(Chairman)
Mr Lim Geok Peng	(Member)
Mr Ow Chin Seng	(Member)
Ms Tan Poh Hong	(Member)

Remuneration Committee

Ms Tan Poh Hong	(Chairman)
Mr Gan Thiam Poh	(Member)
Mr Lim Geok Peng	(Member)

Audit Committee

Mr Lim Geok Peng	(Chairman)
Mr Gan Thiam Poh	(Member)
Ms Tan Poh Hong	(Member)

In place of physical and/or virtual meetings, the Board and Board Committees circulate written resolutions for approval by the relevant members of the Board and Board Committees.

The NC, in considering the re-nomination and re-election of any Director, had considered factors including their performance in the Board as a whole, its Board Committees and individual performance including his attendance, preparedness, participation and contributions in the proceedings of the meetings.

The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Directors' evaluation was conducted in 26 February 2021 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual Directors.

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REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

The Group's remuneration policy is to provide remuneration packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

In accordance of the Provision 6.2 of the Code, the RC comprises three (3) Directors, all of whom are Non-Executive and Independent Directors. As at the date of this report, the RC is chaired by an Independent Director, Ms Tan Poh Hong. The RC members are Mr Gan Thiam Poh and Mr Lim Geok Peng. In discharging their duties, the RC members have access to advice from the internal human resources personnel, and if required, advice from external experts.

The RC reviews and recommends to the Board a framework for the remuneration packages of the Executive Directors and executive officers and development in the Group with the goal of building capable and committed management teams.

The RC is regulated by its terms of reference and its key functions include but not limited to:

- (a) annual review of the remuneration of each of the Directors and key management personnel;
- (b) recommendations to the Board on a general framework of remuneration of the Directors and key management personnel;
- (c) determination of specific remuneration packages, including its termination terms, for the Directors and key management personnel; and
- (d) implement and administer share option scheme established from time to time for the Directors and key management personnel.

The RC will recommend to the Board a general framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Executive Director. The recommendations of the RC should be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, warrants, options and benefits-in-kind shall be covered by the RC. The remuneration of employees who are immediate family members of the Directors and substantial shareholders will also be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees. In the event that a member of the RC is related to the employee under review, he or she will abstain from participating in the review.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's performance and the performance of the individual Directors and key management personnel.

Each member of the RC will abstain from reviewing and approving his or her own remuneration, compensation or any form of benefit and the remuneration packages of persons related to him or her. The RC met once during the financial year which was on 27 February 2020.

The RC, in considering the remuneration of all Directors, has not sought external advice nor appointed remuneration consultants during FY2020 and will continue to monitor the need of engaging external remuneration consultant as and where applicable.

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Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The Executive Directors do not receive Directors' fees except Mr Ow who sits on Nominating Committee as member and is paid in accordance to his Service Agreement with the Company. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors which are aligned with long term interest and risk policies of the Group. For FY2020, the Executive Directors and key management personnel have met the relevant performance conditions.

The Independent Directors do not have service agreements with the Company. The Independent Directors are paid Directors' fees. The RC has adopted a framework which consists of a base fee to remunerate Independent Directors based on their appointments and roles in the respective Board Committees, taking into account the level of contribution and factors such as effort, time spent and the scope of responsibilities and the fees paid by comparable companies. The Directors' fees are reviewed annually to ensure that the Independent Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his or her own remuneration. The Directors' fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the AGM of the Company.

Key management personnel's remuneration is set in accordance with a remuneration framework comprising basic salary (including a variable bonus and benefits-in-kind).

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The Company remunerates key management personnel based on a balanced assessment of each individual's performance and the performance of the Group, taking into account industry benchmarking without setting excessive bonuses.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown showing the level and mix of remuneration of each Director's and top key management personnel (who are not Directors or CEO and those who were in service for FY2020) is set out below:

Name of Director	Remuneration paid/payable in FY2020					Breakdown of the Directors' Remuneration				
	Up to S\$250,000	S\$250,001 to S\$500,000	S\$500,001 to S\$750,000	S\$750,001 to S\$1,000,000	S\$1,000,001 to S\$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mr Ow Chin Seng	-	-	X	-	-	75	1	19	5	100
Mr Ow Eei Meng, Benjamin ⁽¹⁾	-	X	-	-	-	70	0	20	10	100
Mr Ng Kim Keang	-	X	-	-	-	75	0	18	7	100
Mr Lim Geok Peng	X	-	-	-	-	0	100	0	0	100
Ms Tan Poh Hong	X	-	-	-	-	0	100	0	0	100
Mr Gan Thiam Poh	X	-	-	-	-	0	100	0	0	100

Note:

⁽¹⁾ Mr Ow Eei Meng, Benjamin is the son of Mr Ow Chin Seng.

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Name of key management personnel	Remuneration paid/payable in FY2020					Breakdown of the Executives' Remuneration				
	Up to S\$250,000	S\$250,001 to S\$500,000	S\$500,001 to S\$750,000	S\$750,001 to S\$1,000,000	S\$1,000,001 to S\$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Dr Yang Guo Ying	X	-	-	-	-	67	0	7	26	100
Mr Loke Siew Meng, Michael	X	-	-	-	-	80	0	0	20	100
Mr Lim Khan Choon	X	-	-	-	-	93	0	7	0	100
Mr Terence Sim Soo Yong	X	-	-	-	-	92	0	0	8	100
Mr Bernard Chow Kum Thong ⁽¹⁾	X	-	-	-	-	92	0	0	8	100
Mr Tay Chee Seng	X	-	-	-	-	89	0	7	4	100

Notes:

⁽¹⁾ Mr Bernard Chow Kum Thong resigned on 18 September 2020.

Name of key management personnel, employees who are substantial shareholders and family members of a Director	Remuneration paid/payable in FY2020						Breakdown of the Executives' Remuneration				
	Up to S\$100,000	S\$100,001 to S\$200,000	S\$200,001 to S\$300,000	S\$300,001 to S\$400,000	S\$400,001 to S\$500,000	S\$500,001 to S\$600,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mdm Low Kheng ⁽¹⁾	-	X	-	-	-	-	90	0	7	3	100
Mr Ow Eei Phurn, Benedict ⁽²⁾	-	X	-	-	-	-	88	0	6	6	100
Mr Ivan Peh Choon Chieh ⁽³⁾	X	-	-	-	-	-	96	0	0	4	100

Notes:

⁽¹⁾ Mdm Low Kheng is the wife of Mr Ow Chin Seng and mother of Mr Ow Eei Meng, Benjamin.

⁽²⁾ Mr Ow Eei Phurn, Benedict is the son of Mr Ow Chin Seng and brother of Mr Ow Eei Meng, Benjamin.

⁽³⁾ Mr Ivan Peh Choon Chieh is the nephew of Mr Ow Chin Seng and cousin of Mr Ow Eei Meng, Benjamin.

The annual aggregate amount of the total remuneration paid to these key management personnel, employees who are substantial shareholders and family members of a Director (who are not Directors or the CEO) for FY2020 is approximately S\$1,270,000.

The annual aggregate amount of the termination, retirement and post-employment benefits granted to Directors and the CEO under their current contracts of employment or appointment (as the case may be) as at FY2020 is approximately S\$968,000.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of Directors and other payments and benefits paid by the Company and its subsidiaries to the Directors and key management personnel of the Company be kept confidential due to its sensitive nature.

The Company supports and is aware of the need for transparency. However, the Company does not believe it to be in its interest to disclose the remuneration of its top key management personnel (who are not Directors or the CEO), as having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. There would be negative impact to the Company if members of the experienced and qualified senior management team are poached, which may affect the ability to both nurture a sustainable talent pool and ensure the smooth continuity in leadership needed for the achievement of the strategic objectives of the Company.

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Save as disclosed, there are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company and whose remuneration exceeds S\$100,000 during the financial year.

The Company has adopted the AnnAik Employee Share Option Scheme 2013 (the “**ESOS**”), which was approved by the shareholders at an Extraordinary General Meeting held on 18 September 2013, as part of a compensation plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The ESOS is administered by the RC which consists of Ms Tan Poh Hong, Mr Gan Thiam Poh and Mr Lim Geok Peng. Further details are found on pages 33 and 34 of this Annual Report.

As at the date of this report, no share option was granted and no shares of the Company issued by virtue of the exercise of an option to take up unissued shares under the ESOS to either the CEO or other Executive and Non-Executive Directors.

The RC and the Board have considered and are of the view that the Company’s remuneration packages are appropriate and fair.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group’s systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. The internal control and risk management functions are performed by the Group’s key management personnel and reported to the AC for review.

It should be noted, in the opinion of the Board, that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Board understands its accountability to the shareholders on the Group’s position, performance and progress. The Board reviews and approves the financial results as well as any announcements before its release. The objectives of the presentation of the annual Audited Financial Statements, half-year and full-year financial results to its shareholders are to provide the shareholders with a balanced and understandable assessment and explanation of the Group’s financial performance and position and prospects.

The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. The Management understands its role to provide all members of the Board with appropriate management reports in a balanced and understandable assessment of the Group’s performance, position and prospects.

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press release and/or posted on the Company’s website. The Company’s Annual Report is sent to all shareholders and accessible on the Company’s website.

All the Directors and executive officers of the Company have signed undertaking letters pursuant to Rule 720(1) and Appendix 7H of the SGX-ST Catalyst Rules.

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The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

The Group had appointed Messrs UHY Lee Seng Chan & Co. as the independent Internal Auditors of the Group to conduct and review the adequacy and effectiveness of the Group's internal controls on a regular basis in light of the size and complexity of the Group's operations. Relying on the reports from the independent Internal Auditors, management letter issued by the External Auditors (to the extent as required by them to form an audit opinion on the statutory financial statements) and the representation letters from the Management, the AC will carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls and its corresponding mitigation actions from the independent Internal Auditors and External Auditors to further improve the internal controls will be reported to the AC. The AC will follow up on the actions taken by the Management and on the recommendations made by the independent Internal Auditors and External Auditors.

No risk management committee has been established as the AC has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures on a regular basis.

For FY2020, the Board has received assurances from:

- (a) the CEO and COO of the Company that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems in addressing financial, operational, compliance and information technology risks are operating effectively.

The AC has reviewed, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology risks.

During the course of audit by the internal and external auditors, their recommendations, the various Management controls and reports put in place, representation letter from the Management and periodic reviews by the Management, the Board with the concurrence of the AC is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls, and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2020.

Audit Committee

Principle 10: The Board has an AC which discharges its duties objectively.

As at the date of this report, the AC comprises of three (3) Directors, all of whom are independent. The AC is chaired by Mr Lim Geok Peng. The AC members are Ms Tan Poh Hong and Mr Gan Thiam Poh. All of the members of the AC are knowledgeable and familiar with financial management, corporate governance and regulatory disclosure requirements. The Board believes that they possess the necessary qualifications and experiences in discharging their duties as a member of the AC.

The AC functions under its terms of reference which set out its responsibilities as follows:

- review of the audit plans and reports from the External and Internal Auditors;
- review of the co-operation given by the Group's officers to the External and Internal Auditors;
- review of the consolidated financial statements of the Group and the financial statements of the Company to ensure the integrity before their submission to the Board;
- review of the independence and objectivity of the External Auditors and nomination of the External Auditors for reappointment;

Corporate Governance Report

- review of all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arms' length and normal commercial terms and are not prejudicial to the interests of the shareholders of the Company;
- meeting with the External Auditors without the presence of management annually, to discuss any problems and concerns they may have;
- review the adequacy, effectiveness, scope and results of the Company's External auditors, Internal auditors, risk management and internal control systems (including financial, operational, compliance and information technology risks) and to report to the Board annually;
- undertake such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Catalist Rules (as may be amended from time to time) and as may be requested by the Board;
- review the Company's procedures for whistle-blowing policy endorsed by the AC by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters to be safely raised, independently investigated and appropriately followed up on;
- review the assurance from the CEO and the CFO on the financial records and financial statements;
- review the remuneration and terms of engagement of the external auditors; and
- review the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function.

Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularities, failure of internal controls or infringement of any Singapore law, rule or regulation which has or likely to have a material impact on the operating results and/or financial position of the Group. In the event that a member of the AC is interested in any matter being considered by the AC, he or she will abstain from reviewing that particular transaction or voting on that particular resolution.

It has been proposed that the AC will meet at least two times a year and as frequently as is required. In FY2020, the AC has met two times to review and approve the Group's half yearly announcement of FY2020 unaudited results, full year announcement of FY2020 unaudited results and approval of audit planning memorandum for statutory audit in FY2020.

The AC has reviewed all non-audit services provided by the auditors and they would not, in the AC's opinion, affect the independence of the external auditors. The aggregate amount of fees paid or payable to auditors for the financial year ended 31 December 2020, audit service fees amount to S\$308,000 and non-audit service fees amount to S\$17,000. The AC is satisfied with the independence and objectivity of Messrs Ernst & Young LLP and has recommended to the Board the nomination of Messrs Ernst & Young LLP for re-appointment as auditors of the Company at the forthcoming AGM.

The AC has full access to and cooperation of the Management, Internal and External Auditors, and full discretion to invite any Director or key management personnel to attend the meetings and has been given reasonable resources to enable it to discharge its functions properly.

Pursuant to Rule 712 and Rule 716 of the SGX-ST Catalist Rules, the Board and AC are satisfied that the appointment of different auditing firms for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Notes 15 and 16 to the financial statements.

In July 2010, the SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the External Auditors. Accordingly, the AC had evaluated the performance of the External Auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

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In addition, in October 2015, with the support from SGX-ST and Singapore Institute of Directors, ACRA had introduced the "Audit Quality Indicators" ("**AQIs**") Disclosure Framework to assist the ACs in evaluating the re-appointment of External Auditors based on quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the External Auditors based on the AQIs at engagement and/or firm-level.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the External Auditor in their meetings with the AC, to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. In line with the Provision 10.3 of the Code, no former partner or Director of the Company's existing auditing firm has acted as a member of the AC.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the external auditors are required to include the Key Audit Matters ("**KAM**") in the Annual Report of the Company. KAM typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts.

The AC meets with the Internal and External Auditors separately without the presence of the Management at least once a year. For FY2020, the AC met once with the EA and IA without the presence of the Management.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX-ST and the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and the external auditor, and were reviewed by the AC:

1	Write down of inventories to net realisable value
2	Impairment assessment of trade receivables
3	Impairment assessment of property, plant and equipment, right-of-use assets and goodwill

Whistle-blowing policy

The Company has put in place a whistle-blowing policy in order to develop a culture of openness, accountability and integrity. The policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to Mr Lim Geok Peng, the Chairman of the AC. It aims to provide an avenue to employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith within the limits of the law. The audit committee must discuss such matter with the external auditor and, at appropriate times, report the matter to the board and to the sponsor. The sponsor should inform the Exchange where necessary. There were no whistle-blowing matters reported during the financial year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

Internal Audit

Since FY2004, the Company, upon the recommendation of the AC, appointed Messrs UHY Lee Seng Chan & Co. as Internal Auditors.

Messrs UHY Lee Seng Chan & Co. (UHY-LSC) is a CPA firm established in 1967 and offering diversified business advisory services in Singapore and Malaysia (Johor Bahru and Kuala Lumpur). UHY-LSC is a member of UHY International, a leading network of independent accounting and consulting firms established in 1986, with offices in 330 major business centres across 100 countries. UHY-LSC offers a full range of professional services, entailing audit and assurance, internal audit and risk advisory, tax advisory services, corporate secretarial, management advisory, IT and business consulting and business outsourcing services. The firm has more than 15 years of experience in providing internal audit outsourcing services to listed companies and non-profit organisations.

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The internal audit engagement team comprises Engagement Partner (Mr Lee Sen Choon), Engagement Manager (Ms Cecilia Lim), Engagement Team Leader (Ms Jeslyn Wong) and other team members.

The scope of internal audit is to:

- (a) review the effectiveness of the Group's material internal controls;
- (b) provide assurance that key business and operational risks are identified and managed;
- (c) internal controls are in place and functioning as intended; and
- (d) operations are conducted in an effective and efficient manner.

The AC reviews the independence and scope of work deliverables by the Internal Auditor on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC has the responsibility to review the adequacy and effectiveness of the internal audit function on an annual basis, review the internal audit program and ensure co-ordination between Internal Auditors, External Auditors and Management, and ensure that the Internal Auditors meet or exceed the standards set by nationally or internationally recognised professional bodies. The AC also reviews and approves the hiring, removal and evaluates its outsourced Internal Auditors.

The AC met up with the Internal Auditors separately at least once a year without the presence of Management. The Internal Auditors are provided with unfettered access to the documents, records, properties and personnel, including the Board, AC and Management, and has standing within the Company for performing their internal audit review.

The Internal Auditors report directly to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit which will also be communicated to management. Management would accordingly update the AC on the status of the remedial action plans.

The internal audit work carried out in FY2020 was guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The AC and the Board review the adequacy and effectiveness of the internal audit function on an annual basis and are satisfied that in FY2020, the internal audit function has adequate resources to perform its duties effectively and is staffed by suitably qualified and experienced professionals with the relevant experience and independent of its activities it audits.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treat all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

All shareholders are treated fairly and equitably to facilitate their ownership rights to participate effectively in and vote at general meetings. Shareholders are also informed on the procedures for the poll voting at the general meetings. The Regulations of Constitution allow a member of the Company, who is unable to attend the general meeting in person, to appoint up to two (2) proxies to attend and vote at the meeting in place of the member.

The Group believes that a high standard of transparent corporate disclosure is crucial to raising the level of corporate governance. All information relating to the Group's new initiatives are first disseminated via SGXNet followed by a news release (if appropriate), which is also available on the SGX-ST's website.

The Board notes that there should be separate resolutions on each substantially separate issue that may be tabled at the general meeting. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions.

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At the AGM, shareholders are given opportunities to express their views and the Board welcomes the views of shareholders who wish to raise issues concerning the Company, either informally or formally before or during these general meetings. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the External Auditors are present to assist our Board in addressing any relevant queries raised by our shareholders relating to the conduct of the audit and the preparation and content of the auditors' report.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A relevant intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

For greater transparency and fairness in the voting process, voting at shareholders' meetings were conducted by poll since 2013. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. The voting results of all votes cast for or against each resolution is then announced at the meeting and broadcasted via SGXNet after the meeting.

In view of the current coronavirus disease 2019 (COVID-19) situation, the AGM of the Company held in respect of FY2019 was convened and held by electronic means on 29 April 2020 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, was put in place for the AGM FY2019 of the Company.

By the same token, the Company anticipates that the forthcoming AGM of the Company to be held in respect of FY2020 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, will be put in place for the forthcoming AGM of the Company.

The Company prepares and publishes minutes of general meetings incorporating the substantial and relevant comments or queries from shareholders that is relevant to the agenda of the meeting and responses from the Board and the Management. Such minutes are available to shareholders on its corporate website as soon as practicable.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Although declaring and recommending dividend is not fixed, the Board of Directors' policy is to recommend dividends consistent with the Company's objective, inter alia of maximising shareholders' value. The Board will carefully consider and evaluate the aforementioned before proposing any dividend.

Corporate Governance Report

Engagement with shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Company recognises the importance of actively engaging with shareholders to promote effective and fair communication. The Board acknowledges that the Company has to fulfill its obligation to furnish timely and material information to shareholders and to ensure full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Listing Manual of SGX-ST. Any price sensitive information will be publicly released through on SGXNet.

To keep all shareholders of the Company informed on various announcements of the Company, the shareholders can access the Company's announcements and annual reports through the Company's website at www.annaik.com.

The newsletters to all shareholders consist of information and message from the Company to the shareholders, projects updates for the shareholders to understand the business of the Company, the future expansion plan of the Company as well as highlights on the Company's recent projects and events.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board acknowledges its obligation to furnish timely information to shareholders and ensures that full disclosure of material information in its Annual Report to comply with statutory requirements and the SGX-ST Catalyst Rules is made. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns as well as keeping the investors publicly apprised of the Group's corporate developments and financial performance.

In view of the above, the Company did not implement a formal investor relations policy because there are existing channels to actively engage and promote regular, effective and fair communication with shareholders.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Board considers the Company's obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company's long-term sustainability. Stakeholders are parties who may be affected by the Company's activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified and engaged its material stakeholder groups as customers, constructors, suppliers, employees, landlords, investors, media, government, institutions and the communities.

In addition, the Company's material stakeholders, sustainability efforts (including its strategy and key areas of focus) and performance can be found in the Company's sustainability report in order to keep the stakeholders informed on the commitment made by the Company in fostering the creation of long-term value for the stakeholders and sustainable development of the global economy.

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To keep all stakeholders of the Company updated on the latest announcements, press releases, and stock details of the Company, stakeholders have 24-hour access to the Company's website (www.annaik.com).

Stakeholders can contact the Company on the following services:

Investor Related Services	kknng@annaik.com
Environmental Related Services	raymondyang@annaik.com
Sales Related Services	sales@annaik.com

DEALINGS IN SECURITIES

The Company has adopted an Internal Code of Best Practices on Securities Transactions to Directors and key management personnel (including employees with access to price-sensitive information to the Company's shares) of the Group setting out the code of conduct on transactions in the Company's shares by these persons in compliance with the Rule 1204(19) of the SGX-ST Catalist Rules.

All the key employees, officers and Directors of the Company are reminded not to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the results.

The Company issues email notification to all its officers including Directors, officers and employees which they are reminded that they should refrain from dealing in the securities of the Company:

- (i) during the one month before and up to the date of announcement of half year and full year results;
- (ii) on short term considerations; and
- (iii) at any time if they are in possession of unpublished material price-sensitive information. The Company has complied with Listing Rule 1204(19) of the SGX-ST Catalist Rules.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has adopted an internal policy in respect of any transactions with interested person within the definition of Chapter 9 of the Listing Manual of SGX-ST and has set out procedures for review and approval of all interested person transactions. There were no interested party transactions equal to or exceeding S\$100,000 in aggregate between the Company and any of its interested persons (namely, directors, executive directors or controlling shareholders of the Group or the associates of such directors, executive officers or controlling shareholders) subsisting for the financial year ended 31 December 2020.

RISK MANAGEMENT

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in Note 39 to the financial statements.

MATERIAL CONTRACTS

There is no material contracts entered into by the Group involving the interests of any Director or controlling shareholder, which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Corporate Governance Report

NON-SPONSOR FEES

With reference to Rule 1204 (21) of the SGX-ST Catalist Rules, there were no non-sponsor fees paid to the Sponsor, Hong Leong Finance Limited for the financial year ended 31 December 2020.

USE OF PROCEEDS

General- Disclosure of the status on the use of proceeds raised from The Rights cum Warrants issue pursuant to Chapter 8 whether such a use is in accordance with the stated use is as follows:

	Allocation	Utilisation	Balance
	S\$'000	S\$'000	S\$'000
Undertake potential investment in distribution and environmental business	1,680	(949)	731
Working capital requirement	701	(500) ⁽²⁾	201
Repayment of bank borrowings	265	(265)	–
Total	2,646 ⁽¹⁾	(1,714)	932

⁽¹⁾ The actual Net Proceeds after taking into account expenses related to Rights cum Warrants issue.

⁽²⁾ S\$500,000 relates to settlement of trust receipts for purchase of inventories.

The Board wish to provide an update that the Company has during the period from 11 October 2019 to the date of this annual report utilised approximately S\$0.265 million for repayment of bank borrowings, S\$0.500 million for general working capital (settlement of Trust Receipts for purchase of inventories) and S\$0.949 million for investment in environmental business from the net proceeds.

The above allocation basis used are based on average of Net Proceeds from Maximum Subscription and Minimum Subscription Scenario (before exercise of the Warrants). As of the date of this announcement, no warrants have been exercised.

The use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the circular or the announcements of the issuer.

To provide the information as set out in Appendix 7F relating to the candidate who is proposed to be appointed for the first time or re-elected to the board at a general meeting, in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting.

The Director named below is retiring and being eligible, offer herself for re-election at the upcoming AGM:

Name of Director	Tan Poh Hong
Date of Appointment	26 July 2018
Date of last re-appointment (if applicable)	N.A.
Age	64
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After having considered the experience and skills of Ms Tan, the Board with the recommendation of the Nominating Committee, approved the appointment of Ms Tan as Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive

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Name of Director	Tan Poh Hong
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive and Independent Director, Chairman of Remuneration Committee and a member of Nominating Committee and Audit Committee.
Professional qualifications	<ul style="list-style-type: none"> • B Sc (Estate Management) (Hons), National University of Singapore • MBA (Distinction) New York University
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Working experience and occupation(s) during the past 10 years	<p>From 2009 to 2017: Chief Executive Officer of Agri-Food & Veterinary Authority of Singapore. She was responsible for transforming and expanding the organisation's mandate to cater to new challenges facing the country. In particular, she built up the organisation's capabilities to manage and strengthen Singapore's food security. She initiated and led stakeholder engagement and partnership initiatives and drove the push to transform the local farming sector.</p> <p>From 2004 to 2009: Deputy Chief Executive Officer of Housing and Development Board ("HDB")'s Estates and Corporate Groups. The Groups were responsible for planning, developing and managing HDB properties and estates which included over a million housing units and industrial and commercial buildings, as well as formulation of housing policies and programmes. Ms Tan drove technology adoption and streamlining of operations.</p>
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Shareholding interest in the listed issuer and its subsidiaries	Ms Tan does not hold any shares in AnnAik Limited and its subsidiaries.
<p>Other Principal Commitments* Including Directorships#</p> <p>* "Principal Commitments" has the same meaning as defined in the Code</p> <p># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)</p>	<p>Past (for the last 5 years)</p> <ul style="list-style-type: none"> • Agrifood Technologies Pte Ltd <p>Present</p> <ul style="list-style-type: none"> • Vicom Ltd • Apac Realty Limited • Centurion Corporation Limited • Barramundi Asia Pte. Ltd. • Sheng Siong Group Ltd. • Jilin Food Zone Pte. Ltd.

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Name of Director	Tan Poh Hong
Disclosure applicable to the appointment of Director only.	
Any prior experience as a director of an issuer listed on the Exchange?	Yes
If yes, please provide details of prior experience.	<ul style="list-style-type: none"> • 2018: Independent Director of Sheng Siong Group Ltd. • 2018: Independent Director of Centurion Corporation Limited • 2019: Independent Director of Vicom Ltd • 2020: Independent Director of Apac Realty Limited
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Attended SID course on Board and Director Fundamentals; Directors Compliance Programmes; Ethics & Corruption; what draws investors

The Retiring Directors have responded negative to items (a) to (k) listed in Rule 720(6) of the SGX-ST Catalyst Rules.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

Ow Chin Seng (Executive Chairman/Chief Executive Officer)
Ow Eei Meng, Benjamin
Ng Kim Keang
Lim Geok Peng
Tan Poh Hong
Gan Thiam Poh

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in paragraph five below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objectives is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Statement

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director	Direct interest		Deemed interest	
	At beginning of financial year	At the end of financial year	At beginning of financial year	At the end of financial year
AnnAik Limited				
Ordinary shares				
Ow Chin Seng	92,953,697	94,739,197	14,343,655	14,343,655
Ow Eei Meng, Benjamin	–	–	2,919,400	2,919,400
Ng Kim Keang	6,182,500	6,182,500	–	–
Options to subscribe for ordinary shares under the AnnAik Share Option Scheme				
Ow Chin Seng	1,662,500	1,662,500	1,662,500	1,662,500
Ng Kim Keang	1,812,500	1,812,500	–	–
Warrants				
Ow Chin Seng	18,590,739	18,590,739	6,068,731	6,068,731
Ng Kim Keang	770,000	770,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Mr Ow Chin Seng is deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned interest in the Company between the end of the financial year and 21 January 2021.

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

5. OPTIONS

In 2013, the Company had adopted the AnnAik Employee Share Option Scheme 2013 ("Share Option Scheme") which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 18 September 2013. The Share Option Scheme was administered by the Remuneration Committee comprising Gan Thiam Poh, Lim Geok Peng and Tan Poh Hong.

Under the Share Option Scheme, an option entitles the option holder to subscribe for one (1) new ordinary share in the Company at an exercise price per share determined with reference to the market price of the Company's share at the time of grant of the option. The Remuneration Committee may at its discretion, fix the exercise price of the option at a discount up to 20% of the market price of the Company's share.

Options granted with an exercise price set at the market price of the Company's share shall only be exercised after the first anniversary but before the tenth anniversary for executive directors and employees (fifth anniversary for non-executive directors) from the date of grant. Options granted with the exercise price set at a discount to the market price of the Company's share can only be exercised after the second anniversary but before the tenth anniversary for executive directors and employees (fifth anniversary for non-executive directors) from the date of grant. The options may be exercised in whole or in part on the payment of the relevant exercise price. Options granted will lapse when the option holder ceases to be a full-time employee or executive/non-executive director of the Company or any subsidiary of the Group subject to certain exceptions as determined by the Remuneration Committee.

Directors' Statement

5. OPTIONS (CONTINUED)

As at 31 December 2020, the details of the share options held by the directors of the Company under the Share Option Scheme are as follows:

Name of director	Options granted from 1.1.2020 to 31.12.2020 '000	Aggregate options granted since commencement of the Scheme to 31.12.2020 '000	Aggregate options exercised since commencement of the Scheme to 31.12.2020 '000	Aggregate options cancelled/lapsed since commencement of the Scheme to 31.12.2020 '000	Aggregate options outstanding as at 31.12.2020 '000
Ow Chin Seng	–	1,663	–	–	1,663
Ng Kim Keang	–	1,813	–	–	1,813

Details of the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2020 are as follows:

Date of grant	Balance at 1.1.2020 '000	Grant '000	Exercised '000	Cancelled/Lapsed '000	Balance at 31.12.2020 '000	Exercise price per option \$	Exercise period
16.10.2013	9,582	–	–	(102)	9,480	0.067	17.10.2015 – 15.10.2023
18.10.2019	2,396	–	–	(26)	2,370	0.067	18.10.2019 – 15.10.2023
	11,978	–	–	(128)	11,850		

Since the commencement date of Share Option Scheme till the end of the financial year:

- except as disclosed above, no options were granted to the directors of the Company, controlling shareholders or their associates;
- except for Mr Ow Chin Seng and Mr Ng Kim Keang, no other person has received 5% or more of the total number of options granted under the Share Option Scheme; and
- except as disclosed above, no options were granted at a discount to the market price of the shares at the time of the grant.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option, except as described in the preceding paragraphs.

Directors' Statement

6. AUDIT COMMITTEE

The Audit Committee of the Company comprises three non-executive independent directors. The members of the Audit Committee at the end of the financial year and the date of this report are:

Lim Geok Peng (Chairman)
Tan Poh Hong
Gan Thiam Poh

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors.
- Reviewed the half yearly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors.
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor.
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC.
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators.
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor.
- Reviewed the nature and extent of non-audit services provided by the external auditor.
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit.
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate.
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Directors' Statement

7. AUDITORS

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

On behalf of the board of directors:

Ow Eei Meng, Benjamin
Director

Ng Kim Keang
Director

Singapore

31 March 2021

Independent Auditor's Report

For the financial year ended 31 December 2020
To the Members of AnnAik Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

Write down of inventories to net realisable value

As at 31 December 2020, the Group's inventory balance amounted to \$20,464,000, representing 35% of the total current assets. As at 31 December 2020, the Group has made allowance for slow-moving and obsolete inventories amounting to \$1,646,000.

The Group is exposed to risk of slow-moving inventories as a result of volatility in selling prices of steel products. Significant judgement is required in the estimation of net realisable value and allowance for slow moving inventories. Such estimation is subject to factors such as volatility in the steel price, current and expected future market demand which may also be affected by the COVID-19 pandemic and pricing competition. As such, we determined that this is a key audit matter.

Independent Auditor's Report

For the financial year ended 31 December 2020

To the Members of AnnAik Limited

Key audit matters (Continued)

As part of our audit, we attended the inventory count and observed management's process in identifying slow moving items. For some locations with material inventory balances, we obtained inventory count reports from management and also sent out third party inventory confirmation to external service provider. In addition, we evaluated the Group's processes and controls relating to sale and purchase of inventories. We also reviewed management processes in determining the selling prices of steel products by looking at current and expected future market demand and historical trend of steel prices. We also evaluated management's assumptions and estimates used to determine the write down amount through testing of the reliability of the sales movement reports and reviewing historical sales patterns. Further, we performed testing on a sample of items to assess the cost and the estimation of net realisable value of inventories at those locations. Finally, we reviewed the adequacy of the related disclosures in Note 20 of the financial statements.

Impairment assessment of trade receivables

As at 31 December 2020, net trade receivable balance amounted to approximately \$15,682,000 and they represent 27% of the total current assets of the Group. Allowance for expected credit loss ("ECL") amounted to \$1,202,000.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group estimates the credit loss allowance by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for available current and forward-looking information specific to the debtors and economic environment. As the determination of the ECL for trade receivables involves significant management judgement, we have identified this as a key audit matter.

We evaluated the Group's processes and controls relating to the monitoring of trade receivables including the enhanced controls arising from the COVID-19 pandemic and review of credit risks arising from transactions with customers. In addition, our audit procedures included, amongst others, on a sample basis, requesting trade receivable confirmations and evidence of receipts from the trade receivables subsequent to the year end. We also evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments taking into consideration the current economic situation and external analyst report which incorporates the potential effects of the COVID-19 pandemic. We further evaluated the ECL allowance established and the amount recognised in profit or loss through checking the arithmetic accuracy of management's computation of the ECL, testing the accuracy of the ageing of the trade receivables, analyses of ageing profile of the trade receivables to identify collection risks and assessment of significant overdue individual trade receivables. We assessed the adequacy of the disclosures on the trade receivables, the sensitivity analyses and the related credit risk and liquidity risk in Note 21, Note 3.2(c), Note 39(a) and Note 39(b) to the financial statements respectively.

Impairment assessment of property, plant and equipment, right-of-use assets and goodwill

(a) Property, plant and equipment and right-of-use assets

As at 31 December 2020, the Group's property, plant and equipment and right-of use assets amounted to \$23,176,000, representing 31% and \$4,032,000, representing 5% respectively of the total non-current assets. These assets are reviewed, either on a stand-alone basis or as part of a wider cash-generating unit ("CGU"), for impairment using the higher of the value-in-use or fair value less costs to sell model.

Independent Auditor's Report

For the financial year ended 31 December 2020
To the Members of AnnAik Limited

Key audit matters (Continued)

Impairment assessment of property, plant and equipment, right-of-use assets and goodwill (Continued)

(a) *Property, plant and equipment and right-of-use assets (Continued)*

As part of the impairment assessment, the carrying value of the property, plant and equipment and right-of-use assets are allocated to a CGU and subsequently compared to the recoverable amount of the CGU. For steel distribution business segment, the assessment was performed based on value-in-use model where management's assumptions and judgement are used in estimating the underlying cash flow forecasts. For the steel manufacturing business segment, the assessment was performed based on fair value less cost to sell, where management has engaged an external valuer to assess the fair value of the plant and machineries. As the impairment assessment required significant management's estimates and judgement in determining the recoverable amount, we have determined this as a key audit matter.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group in estimating the recoverable amount. The value-in-use calculations involve the use of cash flow projections approved by management and the application of suitable discount rates and long-term growth rates. The cash flow projections included key assumptions of future revenues, profitability and related growth expectations as well as conditions brought about by the COVID-19 pandemic. We checked that the cash flows were based on approved management budgets that reflected business plans, and evaluated management's forecasting process by comparing previous forecasts to actual results. We evaluated the assumptions used by comparing them to historical data as well as recent trends and market and economic outlooks which includes the impact of COVID-19 pandemic. On the discount rates applied to determine present values, we have engaged our internal specialist to evaluate the rates by considering the key elements and risks of the respective cash flow projections, and making comparison to external observable data. In addition, we reviewed management's analysis on the sensitivity of the recoverable amount to changes in the assumptions like the discount rate used and changes in sales growth rate. For recoverable value assessment based on fair value less cost to sell, we have assessed the reliability of fair value less costs to sell assessed by the external valuer, notably through considering the independence, reputation and competency of the external valuer, reviewing their scope of service and engaging our internal specialist to assist in assessing the reasonableness of the valuation methodology and assumptions used. Finally, we reviewed the adequacy of the disclosures on the impairment test in Note 11 to the financial statements.

(b) *Goodwill*

As at 31 December 2020, the Group's total goodwill relating to the concession rights of the wastewater treatment business amounted to \$497,000.

Management has performed the impairment assessment using the discounted cash flow method which required significant judgment in determining the recoverable amount of the goodwill. As such, we determined this to be a key audit matter.

Our audit procedures included, amongst others, assessing the appropriateness of the methodology and evaluated the key assumptions and estimates used by management in determining the recoverable amount of this investment. We assessed the reasonableness of the key inputs used in the projection based on our understanding of the business and compared against externally available industry, economic and financial data. On the discount rates applied to determine present values, we engaged our internal specialist to evaluate the rates by considering the key elements and risks of the respective cash flow projections, and making comparison to external observable data as well as conditions brought about by the COVID-19 pandemic. In addition, we reviewed management's analysis on the sensitivity of the recoverable amount to reasonable changes in the key assumptions, such as the discount rate used and gross profit margin. Finally, we reviewed the adequacy of the disclosures on the impairment test in Note 13 of the financial statements.

Independent Auditor's Report

For the financial year ended 31 December 2020

To the Members of AnnAik Limited

Other information

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

For the financial year ended 31 December 2020

To the Members of AnnAik Limited

Auditor's responsibilities for the audit of the financial statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lai Hiang.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2021

Consolidated Income Statement

For the financial year ended 31 December 2020

		Group	
	Note	2020 \$'000	2019 \$'000
Revenue			
Cost of sales	4	49,391 (36,443)	52,299 (40,193)
Gross profit		12,948	12,106
Other income	5	2,182	5,092
Distribution expenses		(1,295)	(1,209)
Administrative expenses		(9,298)	(9,531)
Impairment losses on financial assets	6	(376)	(158)
Other operating expenses		(975)	(1,696)
Share of profits of associates		94	956
Finance costs	7	(1,292)	(1,418)
Profit before tax	8	1,988	4,142
Income tax expense	9	(156)	(665)
Profit for the year		1,832	3,477
Attributable to:			
Owners of the Company		177	2,147
Non-controlling interests		1,655	1,330
		1,832	3,477
Earnings per share (cents per share):			
Basic and diluted	10	0.06	0.84

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2020

	Group	
	2020	2019
	\$'000	\$'000
Profit for the year	1,832	3,477
Other comprehensive income:		
<u>Items that may be reclassified subsequently to profit or loss</u>		
Foreign currency translation	2,025	(1,005)
Other comprehensive income for the year, net of tax	2,025	(1,005)
Total comprehensive income for the year	3,857	2,472
Total comprehensive income attributable to:		
Owners of the Company	1,648	1,413
Non-controlling interests	2,209	1,059
	3,857	2,472

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

Balance Sheets

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets					
Property, plant and equipment	11	23,176	24,342	5	–
Right-of-use assets	12	4,032	3,919	–	–
Goodwill	13	497	497	–	–
Intangible assets	14	34,347	33,374	1,696	2,036
Investment in subsidiaries	15	–	–	23,896	29,025
Investment in associates	16	11,264	10,654	–	–
Investment securities	17	–	–	–	–
Club membership	18	190	190	190	190
Refundable deposits	19	892	853	–	–
Deferred tax assets	30	3	3	–	–
		74,401	73,832	25,787	31,251
Current assets					
Inventories	20	20,464	17,742	–	–
Prepayments		161	184	27	36
Trade and other receivables	21	21,527	19,201	500	185
Amounts due from subsidiaries	22	–	–	11,851	12,968
Cash and cash equivalents	23	15,048	10,989	1,318	2,421
Assets classified as held for sale	24	651	665	–	–
		57,851	48,781	13,696	15,610
Total assets		132,252	122,613	39,483	46,861
Current liabilities					
Amounts due to subsidiaries and associates	22	1,284	259	397	120
Trade payables	25	3,474	3,115	–	–
Other payables and accruals	26	12,278	10,009	685	994
Loans and borrowings	27	14,032	15,228	542	1,477
Provision for income tax		426	947	–	–
Financial derivative liabilities	28	–	4	–	–
Lease liabilities	12	158	128	–	–
		31,652	29,690	1,624	2,591
Net current assets		26,199	19,091	12,072	13,019

Balance Sheets

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current liabilities					
Other payables and accruals	26	22	631	–	–
Loans and borrowings	27	21,612	15,843	1,000	171
Deferred government grants	29	1,597	1,591	–	–
Deferred tax liabilities	30	1,212	1,205	–	–
Lease liabilities	12	2,872	2,817	–	–
		27,315	22,087	1,000	171
Total liabilities		58,967	51,777	2,624	2,762
Net assets		73,285	70,836	36,859	44,099
Equity attributable to equity holders of the Company					
Share capital	31	38,776	38,776	38,776	38,776
Treasury shares	31	(470)	(470)	(470)	(470)
Foreign currency translation reserve	32	438	(1,033)	–	–
Statutory reserve fund	33	2,567	2,098	–	–
Employee share option reserve	34	517	523	517	523
Retained earnings		18,300	19,452	(1,964)	5,270
		60,128	59,346	36,859	44,099
Non-controlling interests		13,157	11,490	–	–
Total equity		73,285	70,836	36,859	44,099
Total equity and liabilities		132,252	122,613	39,483	46,861

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

Statements of Changes in Equity

For the financial year ended 31 December 2020

Group	Share capital (Note 31) \$'000	Treasury shares (Note 31) \$'000	Foreign currency translation reserve (Note 32) \$'000	Statutory reserve fund (Note 33) \$'000	Employee share option reserve (Note 34) \$'000	Retained earnings \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
2020									
Balance at 1 January 2020	38,776	(470)	(1,033)	2,098	523	19,452	59,346	11,490	70,836
Profit for the year	-	-	-	-	-	177	177	1,655	1,832
Other comprehensive income	-	-	1,471	-	-	-	1,471	554	2,025
- Foreign currency translation	-	-	1,471	-	-	-	1,471	554	2,025
Total comprehensive income for the year	-	-	1,471	-	-	177	1,648	2,209	3,857
Contribution by and distributions to owners	-	-	-	-	-	-	-	-	-
- Expiry of share options	-	-	-	-	(6)	6	(866)	-	(866)
- Dividend paid (Note 35)	-	-	-	-	-	(866)	(866)	-	(866)
Total transactions with owners via their capacity as owners	-	-	-	-	(6)	(860)	(866)	-	(866)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-
- Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	(352)	(352)
- Capital contributions from non-controlling interests	-	-	-	-	-	-	-	36	36
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(316)	(316)
Others	-	-	-	469	-	(469)	-	-	-
- Transfer to statutory reserve fund	-	-	-	469	-	(469)	-	-	-
- Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(226)	(226)
Balance at 31 December 2020	38,776	(470)	438	2,567	517	18,300	60,128	13,157	73,285

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

Statements of Changes in Equity

For the financial year ended 31 December 2020

Group	Share capital (Note 31) \$'000	Foreign currency translation reserve (Note 32) \$'000		Statutory reserve fund (Note 33) \$'000	Employee share option reserve (Note 34) \$'000	Retained earnings \$'000	Attributable to owners of the Company \$'000		Total equity \$'000
		Treasury shares (Note 31) \$'000	translation reserve (Note 32) \$'000				Company \$'000	Non-controlling interests \$'000	
2019									
Balance at 1 January 2019	36,131	(470)	(299)	1,070	580	18,276	55,288	6,046	61,334
Profit for the year	-	-	-	-	-	2,147	2,147	1,330	3,477
Other comprehensive income	-	-	(734)	-	-	-	(734)	(271)	(1,005)
- Foreign currency translation	-	-	(734)	-	-	-	(734)	(271)	(1,005)
Total comprehensive income for the year	-	-	(734)	-	-	2,147	1,413	1,059	2,472
Contribution by and distributions to owners	-	-	-	-	(57)	57	-	-	-
- Expiry of share options	2,844	-	-	-	-	-	2,844	-	2,844
- Issuance of ordinary shares	(199)	-	-	-	-	-	(199)	-	(199)
- Share issuance expenses	-	-	-	-	-	-	-	-	-
Total transactions with owners via their capacity as owners	2,645	-	-	-	(57)	57	2,645	-	2,645
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	4,605	4,605
- Capital contributions from non-controlling interests	-	-	-	-	-	-	-	4,605	4,605
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	4,605	4,605
Others	-	-	-	1,028	-	(1,028)	-	-	-
- Transfer to statutory reserve fund	-	-	-	1,028	-	(1,028)	-	-	-
- Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(220)	(220)
Balance at 31 December 2019	38,776	(470)	(1,033)	2,098	523	19,452	59,346	11,490	70,836

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

Statements of Changes in Equity

For the financial year ended 31 December 2020

Company	Share capital (Note 31) \$'000	Treasury shares (Note 31) \$'000	Employee share option reserve (Note 34) \$'000	Retained earnings \$'000	Total equity \$'000
2020					
At 1 January 2020	38,776	(470)	523	5,270	44,099
Total comprehensive income for the year	–	–	–	(6,374)	(6,374)
<u>Contribution by and distributions to owners</u>					
– Expiry of share options	–	–	(6)	6	–
– Dividend paid (Note 35)	–	–	–	(866)	(866)
Total transactions with owners via their capacity as owners	–	–	(6)	(860)	(866)
At 31 December 2020	38,776	(470)	517	(1,964)	36,859
2019					
At 1 January 2019	36,131	(470)	580	6,638	42,879
Total comprehensive income for the year	–	–	–	(1,425)	(1,425)
<u>Contribution by and distributions to owners</u>					
– Expiry of share options	–	–	(57)	57	–
– Issuance of ordinary shares	2,844	–	–	–	2,844
– Share issuance expenses	(199)	–	–	–	(199)
Total transactions with owners via their capacity as owners	2,645	–	(57)	57	2,645
At 31 December 2019	38,776	(470)	523	5,270	44,099

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2020

	Note	Group	
		2020 \$'000	2019 \$'000
Cash flows from operating activities:			
Profit before tax		1,988	4,142
Adjustments for:			
Amortisation of government grant	5, 29	(71)	(67)
Gain on disposal on investment in a subsidiary	5	–	(7)
Gain on disposal of property, plant and equipment	5	(82)	(1,493)
Gain on bargain purchase	5, 15	–	(1,718)
Fair value gain on derivative instrument	5, 28	(4)	(7)
Impairment losses on financial assets	6, 21	376	158
Bad debts written off	8	23	42
Depreciation of property, plant and equipment	8, 11	1,174	1,315
Depreciation of right-of-use asset	8, 12	307	198
Impairment loss on goodwill	8, 13	–	842
Amortisation of intangible assets	8, 14	1,809	1,296
Impairment loss on investment in associates	8, 16	–	15
Allowance/(reversal of allowance) for slow moving inventories (Reversal of write-down)/write-down of inventories to net realisable value	8, 20	142	(42)
Written-off of property, plant and equipment	8, 20	(145)	50
Written-off of intangible assets	8	2	4
Share of profits of associates	8	298	118
Interest income	5	(94)	(956)
Finance costs	5	(45)	(37)
Unrealised foreign exchange (gain)/loss, net	7	1,292	1,418
		(29)	49
Operating profit before working capital changes		6,941	5,320
<u>(Increase)/decrease in:</u>			
Trade receivables		(3,577)	(310)
Other receivables and prepayments		874	1,666
Inventories		(2,719)	1,797
<u>Increase/(decrease) in:</u>			
Trade payables		359	403
Other payables		1,880	2,077
Bills payables		(65)	(1,119)
Cash generated from operations		3,693	9,834
Leases paid	12	(120)	(493)
Interest expense paid		(1,292)	(1,418)
Interest income received		45	37
Income taxes paid		(670)	(462)
Net cash flows generated from operating activities		1,656	7,498

Consolidated Cash Flow Statement

For the financial year ended 31 December 2020

	Note	Group	
		2020 \$'000	2019 \$'000
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		134	3,163
Purchase of property, plant and equipment	11	(273)	(137)
Additions to intangible assets	14	(1,568)	(5,026)
Proceeds from disposal of investment in a subsidiary		–	4
Net cash outflow of acquisition of a subsidiary	15	–	(25)
Net cash flows used in investing activities		(1,707)	(2,021)
Cash flows from financing activities:			
Proceeds from loans and borrowings	27	4,638	47
Decrease/(increase) in amount due to associates	27	1,025	(2,387)
Capital contribution from non-controlling interests		36	–
Acquisition of non-controlling interests without a change in control		(352)	–
Dividends paid	35	(866)	–
Dividend paid to non-controlling interests		(446)	–
Repayment of principal portion of lease liabilities	12	(170)	(116)
Net proceeds from share issue	31	–	2,645
Net cash flows generated from financing activities		3,865	189
Net increase in cash and cash equivalents		3,814	5,666
Cash and cash equivalents at beginning of year		10,989	5,468
Effect of exchange rate changes on the balance of cash held in foreign currencies		245	(145)
Cash and cash equivalents at end of year	23	15,048	10,989

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

1. CORPORATE INFORMATION

AnnAik Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of the Singapore Exchange.

The registered office and principal place of business of the Company is located at 52 Tuas Avenue 9, Singapore 639193.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and associates are disclosed in Notes 15 and 16 to the financial statements respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars ("SGD or \$") and all values in the tables are rounded to the nearest thousand ("'\$000") except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and that are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 16 <i>Leases</i> : COVID-19 related rent concessions	1 June 2020
Amendments to SFRS(I) 9 <i>Financial Instruments</i> , SFRS(I) 1-39 <i>Financial Instruments: Recognition and Measurement</i> , SFRS(I) 7 <i>Financial Instruments: Disclosures</i> , SFRS(I) 4 <i>Insurance Contracts</i> , SFRS(I) 16 <i>Leases</i> : Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 1-16 <i>Property, Plant and Equipment</i> : Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> : Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 <i>Consolidated Financial Statements</i> and SFRS(I) 1-28 <i>Investments in Associates and Joint Ventures</i> : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations and goodwill*

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

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

2.7 Subsidiaries

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

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

2.8 Associate

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

The Group accounts for its investment in associate using the equity method from the date on which it becomes an associate.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Associate (Continued)

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

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

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

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

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

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

Buildings	–	30 and 40 years
Plant and equipment	–	5 to 10 years
Motor vehicles	–	5 to 8 years
Furniture, renovation, fixtures and equipment	–	5 to 10 years

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property, plant and equipment (Continued)

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

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

(a) *Patent rights*

The patent rights relate to purchase of the rights to use the Biological Trickle Filter patent in relation to rural wastewater treatment. The rights is amortised on a straight-line basis over the contractual life, from the date of purchase of such rights until 31 March 2026.

(b) *Concession rights*

Intangible asset representing consideration received for construction services provided under service concession arrangements are recognised to the extent that the Group has a right to charge fees for the usage of the wastewater treatment plants and are amortised on a straight-line basis over the concession period from commencement of the operation of the plants.

(c) *Technical know-how*

Technical know-how is amortised on a straight-line basis over 10 years commencing from the date of completion of the wastewater treatment plant.

(d) *Club membership*

The useful life of club membership is indefinite as it is lifetime membership and has no dates of expiry.

(e) *Rights to draw water*

Rights to draw water is amortised on a straight-line basis over the contractual life of 36 years.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.12 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(a) *Financial assets (Continued)*

Subsequent measurement (Continued)

Investments in debt instruments (Continued)

(ii) **Fair value through profit or loss**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(b) *Financial liabilities (Continued)*

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.13 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

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

- Raw materials (for manufacturing products): purchase costs on a weighted average basis.
- Finished goods and work-in-progress (for manufacturing products): costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.
- Finished goods (for distribution products and engineering): purchase costs on a first-in first-out basis.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Inventories (Continued)

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

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

2.16 Provisions

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

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

Deferred consideration payable

Deferred consideration arises when settlement of all or any part of the purchase cost of an asset is deferred. It is stated at fair value at the date of purchase, which is determined by discounting the future cash flows to present value at that date. Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and expensed within finance cost. At the end of each reporting period, deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from date of purchase to the end of the reporting period. Subsequent changes to the fair value of the deferred consideration are recognised in the profit or loss.

2.17 Government grants

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

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.18 Financial guarantee

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial guarantee (Continued)

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. In addition, the subsidiary companies in the People's Republic of China ("PRC") pay fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

(c) *Employee share option plans*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefit expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied. The share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

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

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

(i) **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Leasehold land	–	24 years
Land use rights	–	50 years
Motor vehicles	–	2 to 8 years
Office and others	–	3 to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

(ii) **Lease liabilities**

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

As lessee (Continued)

(iii) **Short-term leases**

The Group applies the short-term lease recognition exemption to its short-term leases of office and storage space (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to extend). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment once classified as held for sale are not depreciated or amortised.

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) **Sale of goods**

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all performance obligations have been satisfied. Shipping services and sales of goods are determined as two separate performance obligations and are recognised as point in time, upon the transfer of significant risks and rewards of ownership to the customers.

(b) **Service income from environmental business**

Service income of the Group's environmental business relates to the monthly meter readings and the minimum guaranteed sum from the local government on a monthly basis.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(c) *Construction revenue*

Construction revenue relates to service concession arrangements entered by the subsidiaries in China with certain governing bodies of the government to construct and operate wastewater treatment plants, accounted for under SFRS(I) INT 12 Service Concession Arrangements. Construction revenue is recognised over time using the cost-based input method.

2.24 Taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associate and joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associate and joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

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

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

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

(c) **Value added tax ("VAT") and Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of VAT/GST except:

- Where the VAT/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT/GST included.

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

2.25 Share capital and share issuance expenses

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

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 Contingencies

A contingent liability is:

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Contingencies (Continued)

- (b) a present obligation that arises from past events but is not recognised because:
- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) *Business registration of People's Republic of China ("PRC") entities*

The Group's operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, rules and other regulatory documents. In the prior years, by virtue of ownership agreements entered with certain PRC individuals which resulted in changes to the Group's entity interest in its two subsidiaries and an associate of the Group based in PRC, the business registration files of these subsidiaries and associate have not been amended accordingly to reflect the current shareholding structure.

Management has obtained legal advice that the current business registrations of the other subsidiary and the associate do not expose the Group to any non-compliance with the PRC legal system. The established understanding has been confirmed with legal practitioner on an annual basis. Accordingly, the non-controlling interests and the investment in an associate are accounted for based on the equity interest in the concerned PRC entities taking into account the ownership agreements entered with the certain PRC individuals.

The non-controlling interests of subsidiaries attributable to the PRC individuals is approximately \$3,537,000 (2019: \$3,178,000).

Notes to the Financial Statements

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (Continued)

(b) *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

(c) *Determination of control and joint control*

Determining if an investor has power requires judgment and taking into account all facts and circumstances.

Investment in Ichinose Emico Valves (S) Pte Ltd

The Group has a 50% direct equity interest in an entity, Ichinose Emico Valves (S) Pte Ltd ("Ichinose"), where the remaining 50% equity interest is equally held by two other unrelated parties. It is important to consider that the Group holds a large part of the votes, albeit not majority. There is no other single shareholder that holds more than the Group's voting interest in the investment. Further, it is noted that the relevant activities for the investment are decided by the board of directors, which is formed by two members appointed by the Group and remaining two from the other two shareholders. The Group's representative shall be appointed as chairman of board meetings and will be given a casting vote in the case of equality of votes. The quorum can be achieved through the attendance of 2 directors. Accordingly, management has determined that Ichinose is a subsidiary of the Group in view of the shareholder's rights and demonstration of control over the decisions of the relevant activities of the investment. Management has accounted for the investment in Ichinose as a subsidiary in accordance with Note 2.4 to the financial statements.

As at 31 December 2020, the carrying value of the investment is approximately \$363,000 (2019: \$363,000).

3.2 Key sources of estimation uncertainty

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

(a) *Impairment of goodwill*

Goodwill acquired in a business combination is allocated, at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as described in Note 13 to the financial statements.

To determine whether there is an impairment of goodwill at the end of the reporting period, it is necessary to compare the carrying value of goodwill with the recoverable amount from the cash-generating unit to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash-generating unit. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13.

Notes to the Financial Statements

For the financial year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) *Impairment of property, plant and equipment*

As disclosed in Note 11 to the financial statements, the recoverable amount of the Group's property, plant and equipment used in steel distribution business segment and steel manufacturing business segment are determined based on value-in-use model and fair value less cost to sell model respectively. The key assumptions are disclosed in Note 11 to the financial statements.

(c) *Provision of expected credit losses of trade receivables*

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for customer.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. A 5% difference in the ECLs from management's estimates would result in approximately decrease of \$18,000 (2019: \$8,000) in the Group's profit before tax. The information about the ECLs on the Group's trade receivables is disclosed in Note 39(a).

The carrying amount of trade receivables as at 31 December 2020 are \$15,682,000 (2019: \$12,493,000) respectively.

(d) *Allowances for inventories*

Inventories are stated at the lower of cost and net realisable value. In assessing the allowance for inventories, the Group takes into account the historical obsolescence and slow-moving experiences and future demand of their product.

Based on management's estimate, inventories are fully provided for obsolescence if there are no sale movements within 4 years. At the end of the reporting period, an allowance for slow moving inventories of \$1,646,000 (2019: \$1,504,000) has been made. A 5% increase/decrease in the allowance for slow moving inventories estimated by the management would result in a decrease/increase of \$82,000 (2019: \$75,000) in the Group's profit before tax. The carrying amount of inventories is disclosed in Note 20 of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. REVENUE

Disaggregation of revenue

Segments	Sale of goods		Service income from environmental business		Construction revenue ⁽¹⁾		Total revenue	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Primary geographical markets								
Singapore	14,353	16,592	—	—	—	—	14,353	16,592
People's Republic of China	39	—	10,924	8,554	4,242	8,304	15,205	16,858
South Korea	7,552	3,063	—	—	—	—	7,552	3,063
Malaysia and others	12,281	15,786	—	—	—	—	12,281	15,786
	34,225	35,441	10,924	8,554	4,242	8,304	49,391	52,299
Timing of transfer of goods or services								
At a point in time	34,225	35,441	10,924	8,554	—	—	45,149	43,995
Over time	—	—	—	—	4,242	8,304	4,242	8,304
	34,225	35,441	10,924	8,554	4,242	8,304	49,391	52,299

(1) Amount relating to services for the construction of assets being operated under service concession rights arrangement as described in Note 42.

Notes to the Financial Statements

For the financial year ended 31 December 2020

5. OTHER INCOME

	Note	Group	
		2020 \$'000	2019 \$'000
Amortisation of government grant	29	71	67
Fair value gain on derivative instrument	28	4	7
Gain of disposal on investment in a subsidiary		–	7
Interest income		45	37
Income from government subsidies	A	1,164	522
Management fee income charged to external parties		49	41
Rental income		281	315
Gain on disposal of property, plant and equipment			
– LinXing Water Supply Co., Ltd	13	–	1,466
– Others		82	27
Gain on bargain purchase	15	–	1,718
Others		486	885
		2,182	5,092

Note A

Government subsidies relate mainly to:

- Jobs support scheme (“JSS”) is a temporary scheme introduced in the Singapore Budgets in 2020 which provides wage support to employers to help them retain their local employees during the period of economic uncertainty. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.
- Grant income received from government by the subsidiaries operating wastewater plants in the People’s Republic of China;
- Enterprise Singapore Grant for global ready infrastructure talent programme and global company partnership;
- Wage Credit Scheme subsidy for Singaporeans’ wages increment;
- Special Employment Credit subsidy for hiring Singaporeans aged above 50.

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Note	Group	
		2020 \$'000	2019 \$'000
Impairment losses on:			
– Trade receivables	21	365	158
– Other receivables	21	11	–
		376	158

7. FINANCE COSTS

	Group	
	2020 \$'000	2019 \$'000
Interest expense on:		
– Accretion of interests on deferred consideration payable	10	18
– Individual and related parties	84	44
– Bank loans and bank overdrafts	1,048	1,212
– Lease liabilities (Note 12)	150	144
	1,292	1,418

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. PROFIT BEFORE TAX

Profit before tax is stated after charging/(crediting):

	Note	Group	
		2020 \$'000	2019 \$'000
Amortisation of intangible assets	14	1,809	1,296
Bad debts written off		23	42
Depreciation of property, plant and equipment	11	1,174	1,315
Depreciation of right-of-use assets	12	307	198
Directors' fees paid to the directors of the Company		98	83
Employee benefits expense	A	5,823	6,812
Impairment loss on investment in associates	16	–	15
Impairment loss on goodwill	13	–	842
Net foreign exchange loss		26	187
Rental expenses relating to short-term leases	12	15	24
Allowance/(reversal of allowance) for slow moving inventories	20	142	(42)
(Reversal of write-down)/write-down of inventories to net realisable value	20	(145)	50
Written off intangible assets		298	118
Written off property, plant and equipment		2	4
Audit fees:			
– Paid to Ernst & Young LLP		132	158
– Paid to affiliates of Ernst & Young LLP		46	102
– Paid to other auditors		130	155
Non-audit fees:			
– Paid to Ernst & Young LLP		12	14
– Paid to other auditors		5	6

Note A – Employee benefits expense

	Group	
	2020 \$'000	2019 \$'000
Employee benefit expense (including directors):		
Salaries, bonuses and other benefits	5,376	6,200
Defined contribution plans	447	612
	5,823	6,812

Presented in the consolidated statement of comprehensive income as:

	Group	
	2020 \$'000	2019 \$'000
Cost of sales	148	170
Administrative expenses	4,894	5,899
Distribution expenses	781	743
	5,823	6,812

Notes to the Financial Statements

For the financial year ended 31 December 2020

9. INCOME TAX EXPENSE

Major components of income tax expense

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

	Group	
	2020 \$'000	2019 \$'000
Consolidated income statement		
<i>Current taxation:</i>		
– Current income taxation	613	796
– Overprovision in respect of prior years	(507)	(60)
	106	736
<i>Deferred taxation (Note 30):</i>		
– Origination and reversal of temporary differences	(1)	(71)
<i>Withholding tax expense</i>	51	–
Income tax expense recognised in the profit or loss	156	665

Reconciliation between tax expense and accounting profit

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

	Group	
	2020 \$'000	2019 \$'000
Profit before tax	1,988	4,142
Tax at domestic rates applicable to profits in the countries where the Group operates ⁽¹⁾	324	764
Tax adjustments:		
Non-deductible expenses	578	202
Income not subject to taxation	(98)	(51)
Effect of partial tax exemption	(251)	(132)
Tax effect of share of results of associates	(16)	(163)
Deferred tax assets not recognised	306	159
Benefits from previously unrecognised tax losses	(264)	(6)
Overprovision of income tax in respect of prior years	(507)	(60)
Withholding tax on foreign sourced income	51	–
Others	33	(48)
Income tax expense recognised in the profit or loss	156	665

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

9. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between tax expense and accounting profit (Continued)

(a) *Entities incorporated in People's Republic of China ("PRC")*

Changxing Angwei Environmental & Ecological Engineering Co., Ltd, Changxing AnnYi Wastewater Treatment Co., Ltd, Changxing Lijiexiang New Era Wastewater Treatment Co., Ltd and Shuanglin (Huzhou) Wastewater Treatment, Co. Ltd

During the previous financial year, as part of the PRC government's efforts to promote the development and growth of environmental-related businesses, the local tax authorities announced an incentive whereby the corporate tax rate for businesses engaged in environmental-related businesses will be reduced to 15%.

Other PRC entities

The applicable income tax rate for the remaining PRC entities is 25%.

(b) *Entities incorporated in Singapore, South Korea and Malaysia*

The applicable income tax rate for Singapore, South Korea and Malaysia incorporated companies is 17%, 11% and 24% respectively.

(c) *Unrecognised tax losses*

At the end of the reporting period, the Group has tax losses of approximately \$13,613,000 (2019: \$13,366,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provision of the tax legislations of the respective countries in which the companies operate. The tax losses have no expiry date.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflect the profit and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2020	2019
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share (\$'000)	177	2,147
Number of shares ('000)		
Weighted average number of ordinary shares for basic and diluted loss per share computation	288,531	254,722
Earnings per share (cents)		
Basic and diluted earnings per share	0.06	0.84

All share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive as the exercise price is higher than the share price.

Since the end of the financial year, there were no share options being exercised by the eligible employees to acquire the Company's shares.

Notes to the Financial Statements

For the financial year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Furniture, fixtures and equipment \$'000	Construction-in-progress \$'000	Total \$'000
Cost:							
As at 1 January 2019	4,848	22,864	4,334	1,184	1,347	249	34,826
Additions	-	29	2	56	29	21	137
Acquisition of a subsidiary (Note 15)	-	-	-	52	29	-	81
Disposals	-	(1,784)	(102)	-	(33)	-	(1,919)
Written off	-	-	-	-	(8)	-	(8)
Transfer to assets classified as held for sale (Note 24)	-	-	(84)	-	-	-	(84)
Transfer from work-in-progress	-	217	-	-	-	(217)	-
Exchange differences	(50)	(93)	(28)	(21)	(8)	(2)	(202)
At 31 December 2019 and 1 January 2020	4,798	21,233	4,122	1,271	1,356	51	32,831
Additions	-	-	31	199	43	-	273
Disposals	-	-	-	(146)	(3)	-	(149)
Written off	-	-	(6)	-	-	-	(6)
Exchange differences	(98)	(108)	(42)	23	(8)	(4)	(237)
At 31 December 2020	4,700	21,125	4,105	1,347	1,388	47	32,712

Notes to the Financial Statements

For the financial year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Furniture, renovation, fixtures and equipment \$'000	Construction-in-progress \$'000	Total \$'000
Accumulated depreciation and impairment loss:							
As at 1 January 2019	-	3,405	2,370	818	867	-	7,460
Depreciation charge for the year	-	719	308	140	148	-	1,315
Acquisition of a subsidiary (Note 15)	-	-	-	39	20	-	59
Disposals	-	(168)	(63)	-	(18)	-	(249)
Transfer to assets classified as held for sale (Note 24)	-	-	(48)	-	-	-	(48)
Written off	-	-	-	-	(4)	-	(4)
Exchange differences	-	(8)	(15)	(21)	-	-	(44)
At 31 December 2019 and 1 January 2020	-	3,948	2,552	976	1,013	-	8,489
Depreciation charge for the year	-	655	277	125	117	-	1,174
Disposals	-	-	-	(94)	(3)	-	(97)
Written off	-	-	(4)	-	-	-	(4)
Exchange differences	-	(13)	(28)	12	3	-	(26)
At 31 December 2020	-	4,590	2,797	1,019	1,130	-	9,536
Net carrying value:							
At 31 December 2019	4,798	17,285	1,570	295	343	51	24,342
At 31 December 2020	4,700	16,535	1,308	328	258	47	23,176

Notes to the Financial Statements

For the financial year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment \$
Cost:	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Additions	6
At 31 December 2020	6
Accumulated depreciation:	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Depreciation charge for the year	1
At 31 December 2020	1
Net carrying value:	
At 31 December 2019	–
At 31 December 2020	5

Assets pledged as security

The Group's freehold land and buildings with a carrying amount of \$4,700,000 (2019: \$4,798,000) and \$16,526,000 (2019: \$17,275,000) respectively and plant and equipment with a carrying amount of \$415,000 (2019: \$477,000) are mortgaged to secure the Group's bank loans (Note 27).

Particulars of properties held by the Group as at 31 December 2020 are as follows:

Location	Description
52 Tuas Avenue 9, Singapore 639193	One 2-storey office building with a single storey warehouse attached and one 2-storey warehouse with mezzanine floor built on land area of 11,633 square meters
Lot No. 458, No. 459 and No. 460, Mukim 12, Tempat Kampung Gurun, Daerah Sekerang Petai Selatan, Penang	One 1-storey factory building with 2-storey training room, locker room, hostel, canteen, water pump room and 1-storey guardhouse attached, built on land are of 45,397 square meters

Impairment of assets

Valuation technique and key assumptions

The recoverable amount of the plant and machineries and buildings were determined based on the valuation technique and key assumptions:

Description	Fair value hierarchy	Valuation technique	Key assumptions
Plant and Machinery	Level 3	Fair value less cost to sell – Depreciated replacement cost method	Include consideration of: <ul style="list-style-type: none"> • Market value; • Economic or external obsolescence; • Functional or technical obsolescence; and • Physical deterioration
Buildings	Level 3	Value-in-use – Discounted cash flow	<ul style="list-style-type: none"> • Discount rate • Long-term growth rates

The Group carried out a review of the recoverable amount of its property, plant and equipment and determined that there is no impairment loss for the current and previous financial years.

Notes to the Financial Statements

For the financial year ended 31 December 2020

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group has lease contracts for various items of leasehold land, motor vehicles and office equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

(a) Carrying amount of right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leasehold land \$'000	Land use rights \$'000	Motor vehicles \$'000	Office and others \$'000	Total \$'000
Cost:					
At 1 January 2019	2,836	348	217	36	3,437
Additions	–	442	121	–	563
Acquisition of a subsidiary (Note 15)	–	414	–	–	414
Exchange differences	–	(17)	(2)	–	(19)
At 31 December 2019 and 1 January 2020	2,836	1,187	336	36	4,395
Additions	20	–	294	59	373
Exchange differences	–	57	1	–	58
At 31 December 2020	2,856	1,244	631	95	4,826
Accumulated depreciation:					
At 1 January 2019	–	72	47	3	122
Depreciation charge for the year	119	23	50	6	198
Acquisition of a subsidiary (Note 15)	–	160	–	–	160
Exchange differences	–	(4)	–	–	(4)
At 31 December 2019 and 1 January 2020	119	251	97	9	476
Depreciation charge for the year	119	31	137	20	307
Exchange differences	–	11	–	–	11
At 31 December 2020	238	293	234	29	794
Net carrying value:					
At 31 December 2019	2,717	936	239	27	3,919
At 31 December 2020	2,618	951	397	66	4,032

Included in additions is an amount of \$120,000 (2019: \$493,000) which relates to partial prepayment of motor vehicle leases at commencement.

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities:

	2020 \$	2019 \$
Current	158	128
Non-current	2,872	2,817
	3,030	2,945

Notes to the Financial Statements

For the financial year ended 31 December 2020

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2019	Cash flows	Non-cash changes				2020
			New leases	Foreign exchange movement	Accretion of interest	Other	
	\$	\$	\$	\$	\$	\$	\$
Lease liabilities							
– current	128	(320)	90	–	150	110	158
– non-current	2,817	–	163	2	–	(110)	2,872

	2018	Cash flows	Non-cash changes				2019
			New leases	Foreign exchange movement	Accretion of interest	Other	
	\$	\$	\$	\$	\$	\$	\$
Lease liabilities							
– current	118	(260)	15	–	144	111	128
– non-current	2,876	–	55	(3)	–	(111)	2,817

The 'other' column relates to reclassification of non-current portion of lease liabilities due to passage of time.

(c) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	2020 \$'000	2019 \$'000
Depreciation expense of right-of-use assets (Note 8)	307	198
Interest expense on lease liabilities (Note 7)	150	144
Expense relating to short-term leases (included in administrative expenses)	15	24
Total amount recognised in profit or loss	472	366

(d) Total cash outflow

The Company had total cash outflows for leases of \$335,000 (2019: \$284,000), which included principal repayments of \$170,000 (2019: \$116,000) in 2020.

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For the financial year ended 31 December 2020

13. GOODWILL

Goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from that business combination for impairment testing purpose, as follows:

	Group	
	2020 \$'000	2019 \$'000
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd ("AngWei Enviro") and its subsidiaries ⁽¹⁾	497	497
ChangXing LinSheng Wastewater Treatment Co., Ltd ("ChangXing LinSheng") and its subsidiaries ⁽²⁾	842	842
Less: Impairment losses	(842)	(842)
	497	497

(1) Comprising the wastewater treatment business of its subsidiaries, arising from the service concession rights granted by the People's Republic of China government as disclosed in Note 42 to the financial statements.

(2) Comprising the freshwater treatment business of LinXing Water Supply Co., Ltd ("LinXing").

During the previous financial year, the Group's subsidiary company, LinXing sold its property, plant and equipment with carrying amount of RMB8,626,000 (equivalent to \$1,669,000) that were used in its operations for a consideration of RMB16,200,000 (equivalent to \$3,135,000). The gain on disposal of RMB7,574,000 (equivalent to \$1,466,000) has been recognised under the "Other income" line item in the consolidated financial statement. Subsequent to the sale of the property, plant and equipment, LinXing has ceased its operations and became dormant.

Accordingly, management has performed an impairment test for the goodwill in ChangXing LinSheng and has provided an impairment loss of \$842,000 for the year ended 31 December 2019.

The recoverable amount of AngWei Enviro Group has been determined based on value in use calculation using cash flow projection from the financial budgets approved by management covering the remaining concession periods, useful lives of the wastewater treatment plants as well as the rights to draw water operated by the CGU, ranging from 20 – 27 years (2019: 21 – 28 years). The pre-tax discount rate applied to these cash flows is 7% (2019: 7%).

Key assumptions used in the value in use calculation

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

Growth rate – Projected revenue for wastewater treatment plants is based on government guarantee stated in the service concession agreement with the local government.

Pre-tax discount rates – The discount rate calculation is based on the specific circumstances of the CGU and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Budgeted gross margins – Gross margins are based on results achieved in the year preceding the start of the budget period.

Notes to the Financial Statements

For the financial year ended 31 December 2020

13. GOODWILL (CONTINUED)

Sensitivity to changes in assumptions:

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

14. INTANGIBLE ASSETS

Group	Patent rights \$'000	Concession rights \$'000	Technical know-how \$'000	Rights to draw water \$'000	Total \$'000
Cost:					
At 1 January 2019	3,732	23,854	397	88	28,071
Additions	–	5,026	–	–	5,026
Acquisition of a subsidiary (Note 15)	–	10,917	–	–	10,917
Written off	–	(61)	–	(86)	(147)
Exchange differences	–	(836)	(10)	(2)	(848)
At 31 December 2019 and 1 January 2020	3,732	38,900	387	–	43,019
Additions	–	1,568	–	–	1,568
Written off	–	(510)	–	–	(510)
Exchange differences	–	1,869	18	–	1,887
At 31 December 2020	3,732	41,827	405	–	45,964
Accumulated amortisation:					
At 1 January 2019	1,357	4,459	397	2	6,215
Acquisition of a subsidiary (Note 15)	–	2,335	–	–	2,335
Amortisation charge for the year	339	955	–	2	1,296
Written off	–	(25)	–	(4)	(29)
Exchange differences	–	(162)	(10)	–	(172)
At 31 December 2019 and 1 January 2020	1,696	7,562	387	–	9,645
Amortisation charge for the year	340	1,469	–	–	1,809
Written off	–	(212)	–	–	(212)
Exchange differences	–	357	18	–	375
At 31 December 2020	2,036	9,176	405	–	11,617
Carrying amount:					
At 31 December 2019	2,036	31,338	–	–	33,374
At 31 December 2020	1,696	32,651	–	–	34,347

Notes to the Financial Statements

For the financial year ended 31 December 2020

14. INTANGIBLE ASSETS (CONTINUED)

Company	Patent rights \$'000
Cost:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	3,732
Accumulated amortisation:	
At 1 January 2019	1,357
Amortisation charge for the year	339
At 31 December 2019 and 1 January 2020	1,696
Amortisation charge for the year	340
At 31 December 2020	2,036
Carrying amount:	
At 31 December 2019	2,036
At 31 December 2020	1,696

Patent rights

The patent rights relate to the rights to use the Biological Trickle Filter patent in relation to rural wastewater treatment. The rights are amortised on a straight-line basis over the remaining contractual life of 6 (2019: 7) years, until 31 March 2026.

Concession rights

The Group has service concession rights from and obligations to certain governing bodies and agencies in the People's Republic of China to construct and operate industrial wastewater treatment plants in Lijiaxiang Town, Zhicheng Town, Lincheng Town, Wushan Town and Shuanglin Town, Zhejiang Province in the People's Republic of China for pre-determined periods. These concession rights are for periods of 25 to 50 years.

The cost of the concession rights is amortised on a straight-line basis over the concession period from the commencement of the operations of each respective plant and is charged to cost of sales in the income statement. Concession rights have an estimated remaining useful life of 20 to 38 years (2019: 21 to 39 years) at the end of the financial year.

Technical know-how

This refers to technical know-how for the treatment of industrial wastewater paid by a subsidiary. The cost of the technical know-how is amortised on a straight-line basis over 10 years commencing from the date of completion of the wastewater treatment plant and is charged to administrative expenses in the consolidated income statement. Technical know-how has been fully amortised.

Rights to draw water

The Group's subsidiary, LinXing Water Supply Co., Ltd ("LinXing"), has entered into an agreement with ZhouWu Reservoir pursuant to which LinXing has the rights to draw water from the reservoir for a period of 36 years from 2017. The cost of the rights to draw water is amortised on a straight-line basis over the period.

During the previous financial year, the Group has sold off LinXing's property, plant and equipment to a third party (Note 13). Accordingly, the rights to draw water of \$82,000 had been written off and was recognised under the "Other operating expenses" line item in the consolidated income statement.

Cash outflow on acquisition of intangible assets

The cash outflow on the acquisition of intangible assets during the year amounted to \$1,568,000 (2019: \$5,026,000).

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For the financial year ended 31 December 2020

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares, at cost	27,343	27,343
Due from subsidiaries (non-trade)	7,091	8,498
Less: Impairment losses	(10,538)	(6,816)
	23,896	29,025

The amount due from subsidiaries are unsecured, non-interest bearing, repayable at the option of the subsidiaries, not expected to be repaid within the next 12 months and is to be settled in cash.

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
<i>Held by the Company</i>				
AnnAik & Partners (S) Pte Ltd ("AA Partners") ⁽²⁾	Singapore	Investment holding	100	100
Anxon Eco Holdings Pte Ltd ("Anxon Eco") ⁽²⁾	Singapore	Investment holding	100	100
Anxon Engineering Pte Ltd ⁽²⁾	Singapore	Designing, contracting and management of engineering projects	55	55
Anxon Environmental Pte Ltd ("Anxon Enviro") ⁽²⁾	Singapore	Investment holding	100	100
Anxon Oasis Pte Ltd ⁽²⁾	Singapore	Marketing and sale of steel related products	100	100
Anxon Envirotech Pte Ltd ⁽²⁾	Singapore	Investment holding	100	100
Ann Aik Pte Ltd ⁽¹⁾	Singapore	Marketing and sale of steel related products	100	100
Pioneer Environmental Technology Pte Ltd ("Pioneer") ⁽²⁾	Singapore	Development of environmental technologies and environmental engineering	51	51
Shinsei Holdings Pte Ltd ("SHPL") ⁽²⁾	Singapore	Investment holding	92	92
Ichinose Emico Valves (S) Pte Ltd ⁽²⁾	Singapore	Marketing and sale of steel related products	50	50
Metal Wang Pte Ltd ("MWPL") ⁽¹⁾	Singapore	Wholesale of metals and metal ores	60	60

Notes to the Financial Statements

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15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
<i>Held through AA Partners</i>				
AnnAik Pipes & Fittings (Shanghai) Co., Ltd ("AA Shanghai") ⁽³⁾	People's Republic of China ("PRC")	Marketing and sale of steel related products and provision of import and export agency services	100	100
<i>Held through AA Shanghai</i>				
ZheJiang ShengTai Environmental Technology Co., Ltd. ⁽³⁾	PRC	Development of environmental technologies and environmental engineering	55	55
<i>Held through Anxon Enviro</i>				
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. ("Angwei Enviro") ⁽³⁾	PRC	Owning and management of wastewater treatment plants	60	60
ChangXing AngWei Environmental & Ecological Engineering Co., Ltd. ("ChangXing AW") ⁽³⁾	PRC	Owning and management of wastewater treatment plants	66	60
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd ("Shuanglin") ⁽³⁾	PRC	Owning and management of wastewater treatment plants	62	62
<i>Held through Anxon Eco</i>				
ChangXing LinSheng Wastewater Treatment Co., Ltd ("CX LinSheng") ⁽³⁾	PRC	Owning and management of wastewater treatment plant	88	88
<i>Held through CX LinSheng</i>				
ChangXing Wusheng Wastewater Treatment Co., Ltd. ⁽³⁾	PRC	Owning and management of wastewater treatment plant	88	88
LinXing Water Supply Co., Ltd ⁽³⁾⁽⁶⁾	PRC	Owning and management of fresh water treatment plant	75	75
ChangXing LinYi Wastewater Treatment Co., Ltd ("CXLY") ⁽³⁾	PRC	Owning and management of wastewater treatment plant	70	70

Notes to the Financial Statements

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15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Held by SHPL				
Shinsei Industry Sdn. Bhd ("SISB") ⁽⁴⁾	Malaysia	Production of steel flanges and related products	92	92
Held by AngWei Enviro				
ChangXing Lijiaxiang New Era Wastewater Treatment Co., Ltd ("LJX") ⁽³⁾	PRC	Owning and management of wastewater treatment plant	60	60
Held by Pioneer				
Suzhou Pioneer Environmental Technology Pte Ltd ⁽³⁾	PRC	Development of environmental technologies and environmental engineering	41	41
Held by MWPL				
Handel Co., Ltd ⁽⁵⁾	South Korea	Wholesale of metals and metal ores	36	36
Held through LJX				
ChangXing Annyi Wastewater Treatment Co., Ltd ("CXAY") ⁽³⁾	PRC	Owning and management of wastewater treatment plant	60	60
ChangXing Hengyi Wastewater Treatment Co., Ltd ⁽³⁾	PRC	Owning and management of wastewater treatment plant	60	60

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by another firm of auditors, Ecovis Assurance LLP.

(3) Audited by Ecovis Assurance LLP, Singapore, for the purpose of inclusion of the entities' results into the Group's consolidated financial statements.

(4) Audited by Ernst & Young LLP, Penang, Malaysia.

(5) Audited by HoYeon Accounting Corp, South Korea.

(6) Subsequent to year end, LinXing Water Supply Co., Ltd was placed under members' voluntary liquidation.

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15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of \$6,839,000 (2019: \$4,726,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

(a) *Acquisition of ownership interest in a subsidiary, without loss of control*

On 14 July 2020, the Company's wholly owned subsidiary, Anxon Environmental Pte Ltd acquired an additional 6% equity interest in Changxing Angwei Environmental & Ecological Engineering Co., Ltd ("ChangXing AW") from its non-controlling interests for a cash consideration of \$352,000.

(b) *Capital injection into a subsidiary by non-controlling interests, without loss of control*

During the financial year, the non-controlling interest paid up the capital contribution of \$36,000 in ZheJiang ShengTai Environmental Technology Co., Ltd.

(c) *Step acquisition of subsidiary*

During the previous financial year, the Group's subsidiary company, Anxon Environmental Pte Ltd ("Anxon Environmental"), acquired an additional 20% of the equity interest in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd ("Shuanglin"). Upon the acquisition, the Group owns 62% of shareholding in Shuanglin and Shuanglin became a subsidiary of the Group.

The acquisition is in the ordinary course of expansion of the Group's business.

Notes to the Financial Statements

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15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Significant restrictions: (Continued)

(c) Step acquisition of subsidiary (Continued)

The fair value of the identifiable assets and liabilities of Shuanglin as at the acquisition date were:

	2019 \$'000
Property, plant and equipment	22
Intangible assets	8,582
Right-of-use assets	254
Trade and other receivables	4,160
Inventories	10
Cash and cash equivalents	679
	<u>13,707</u>
Trade payables	(85)
Other payables and accruals	(347)
Income tax payable	(304)
Deferred tax liabilities	(853)
	<u>(1,589)</u>
Total identifiable net assets at fair value	12,118
Non-controlling interest measured at the non-controlling interest's proportionate share of Shuanglin's net identifiable liabilities	(4,605)
Investment previously classified as investment in associate, at fair value	(3,926)
Gain on bargain purchase arising from acquisition (Note 5)	(1,718)
	<u>1,869</u>
<u>Consideration transferred for the acquisition of Shuanglin</u>	
Cash paid	704
Deferred consideration payable	1,165
Total consideration transferred	<u>1,869</u>
<u>Effect of the acquisition of Shuanglin on cash flows</u>	
Consideration settled in cash	704
Less: Cash and cash equivalents of subsidiary acquired	(679)
Net cash outflow on acquisition	<u>25</u>

Notes to the Financial Statements

For the financial year ended 31 December 2020

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Significant restrictions: (Continued)

(d) Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have non-controlling interests that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000
31 December 2020:				
Shuanglin	PRC	38	341	3,897
ChangXing AW	PRC	34	222	2,133
CXAY	PRC	40	422	2,605
LJX	PRC	40	326	2,345
31 December 2019:				
Shuanglin	PRC	38	118	3,395
ChangXing AW	PRC	40	295	2,192
CXAY	PRC	40	465	2,085
LJX	PRC	40	300	1,929

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Shuanglin		ChangXing AW	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Assets	6,215	5,309	2,939	1,333
Liabilities	(854)	(1,271)	(2,700)	(3,371)
Net current assets/(liabilities)	5,361	4,038	239	(2,038)
Non-current				
Assets	4,914	4,918	8,608	7,993
Liabilities	(18)	(23)	(2,573)	(476)
Net non-current assets	4,896	4,895	6,035	7,517
Net assets	10,257	8,933	6,274	5,479
	CXAY		LJX	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current				
Assets	3,739	3,301	4,243	3,097
Liabilities	(1,285)	(1,796)	(6,200)	(5,691)
Net current assets/(liabilities)	2,454	1,505	(1,957)	(2,594)
Non-current				
Assets	4,059	3,964	8,418	8,403
Liabilities	–	(256)	(597)	(987)
Net non-current assets	4,059	3,708	7,821	7,416
Net assets	6,513	5,213	5,864	4,822

Notes to the Financial Statements

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15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Significant restrictions: (Continued)

(d) Interest in subsidiaries with material non-controlling interests ("NCI") (Continued)

Summarised statement of comprehensive income

	Shuanglin		ChangXing AW	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	2,245	835	2,866	4,820
Profit before tax	1,066	391	592	806
Tax (expense)/credit	(168)	18	(58)	(69)
Profit after tax, representing total comprehensive income	898	409	534	737

	CXAY		LJX	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	2,294	2,323	2,033	1,959
Profit before tax	1,224	1,230	959	863
Tax expense	(168)	(67)	(144)	(113)
Profit after tax, representing total comprehensive income	1,056	1,163	815	750

Other summarised information

	Shuanglin		ChangXing AW	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net cash flows from/(used in) operations	779	1,001	(1,268)	580
Acquisition of significant property, plant and equipment	–	–	2	57

	CXAY		LJX	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net cash flows from operations	792	1,593	15	1,461
Acquisition of significant property, plant and equipment	–	–	–	1

(e) Impairment testing of investment in subsidiaries

During the financial year, management has performed an impairment test for the Company's investment in certain subsidiaries. As a result, the Company has made an impairment loss of \$3,722,000 (2019: \$100,000) for the year ended 31 December 2020 to write down these investments to their respective recoverable amounts.

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16. INVESTMENT IN ASSOCIATES

	Group	
	2020 \$'000	2019 \$'000
Shanghai Onway Environmental Development Co., Ltd Group	11,115	10,572
Wuhan Pioneer Environmental Technology Pte Ltd	164	97
Less: Impairment losses	(15)	(15)
	11,264	10,654

The investment in associates does not have published price quotation.

During the previous financial year, management has performed an impairment test for the Group's investment in Wuhan Pioneer Environmental Technology Pte Ltd. As a result, the Group has made an impairment loss of \$15,000 for the year ended 31 December 2019.

The details of the investment in associates are summarised below:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership	
			2020 %	2019 %
<i>Held through Anxon Envirotech</i>				
Shanghai Onway Environmental Development Co., Ltd (Shanghai Onway) ⁽¹⁾	People's Republic of China ("PRC")	Provision of equipment in rural wastewater treatment	25	25
<i>Held through Shanghai Onway</i>				
ZheJiang XinYu Environmental Technology Pte Ltd ⁽¹⁾	PRC	Provision of engineering, procurement and construction ("EPC") activities in relation to wastewater treatment	25	25
<i>Held through Suzhou Pioneer</i>				
Wuhan Pioneer Environmental Technology Pte Ltd ⁽²⁾	PRC	Environmental engineering services, developing environmental technologies and environmental engineering project	30	30

(1) Audited by Ernst & Young Hua Ming LLP, Chengdu, PRC, for the purpose of inclusion of the entity's results into the Group's consolidated financial statements.

(2) Audited by Ecovis Assurance LLP, Singapore, for the purpose of inclusion of the entity's results into the Group's consolidated financial statements.

Notes to the Financial Statements

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16. INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information of material associates based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Shanghai Onway Group	
	2020	2019
	\$'000	\$'000
Summarised balance sheet		
Current assets	48,123	48,559
Non-current assets	25,395	18,838
Total assets	73,518	67,397
Current liabilities	7,283	14,621
Non-current liabilities	16,287	5,795
Total liabilities	23,570	20,416
Net assets	49,948	46,981
Non-controlling interest of Shanghai Onway Group	(5,488)	(4,693)
Net assets attributable to the Group	44,460	42,288
Proportion of the Group's ownership	25%	25%
Carrying amount of the investment	11,115	10,572

Summarised statement of comprehensive income

	Shanghai Onway Group	
	2020	2019
	\$'000	\$'000
Revenue	10,470	24,220
Profit after tax	149	3,152
Other comprehensive income	2,023	(1,024)
Total comprehensive income	2,172	2,128

17. INVESTMENT SECURITIES

	Group and Company	
	2020	2019
	\$'000	\$'000
Unquoted equity security, at cost	5,667	5,667
Less: Impairment loss	(5,667)	(5,667)
Net carrying amount	–	–

This relates to the Company's 17.6% equity interest in an unquoted investment which is incorporated in Singapore and is engaged in property development activities in the People's Republic of China.

18. CLUB MEMBERSHIP

	Group and Company	
	2020	2019
	\$'000	\$'000
Club membership, at cost (indefinite life)	190	190

Notes to the Financial Statements

For the financial year ended 31 December 2020

19. REFUNDABLE DEPOSITS

These are funds deposited with the respective town governments in the ChangXing County, Zhejiang Province, People's Republic of China to secure the rights to use the allocated lands for an agreed period to build and operate wastewater treatment plants under build-operate-transfer ("BOT") contracts over a period of 30 years. These funds deposited are not expected to be refundable to the Group within the next twelve months.

20. INVENTORIES

	Group	
	2020 \$'000	2019 \$'000
Balance sheet:		
Raw materials	276	976
Work-in-progress	–	26
Finished goods	20,188	16,740
At cost or net realisable value	20,464	17,742
Income statement:		
Inventories recognised as an expense in cost of sales	31,431	34,545
Inclusive of the following charge/(credit):		
– (Reversal of write-down)/write-down of inventories	(145)	50
– Allowance/(reversal of allowance) for slow moving inventories	142	(42)

Inventories are stated after allowance for slow moving inventories of \$1,646,000 (2019: \$1,504,000).

Movement in allowance for slow moving inventories at end of the year:

	Group	
	2020 \$'000	2019 \$'000
At beginning of the year	1,504	1,546
Allowance made during the year	142	–
Reversal of allowance during the year	–	(42)
At the end of the year	1,646	1,504

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade receivables</u>				
External parties	16,884	13,325	–	–
Less: Loss allowance provision	(1,202)	(832)	–	–
	15,682	12,493	–	–
<u>Non-trade receivables</u>				
Other receivables	3,793	4,513	491	180
GST receivables	847	671	97	5
Advances to suppliers for trade purchase	883	786	–	–
Amounts due from related parties	249	412	–	88
Refundable deposits	229	471	–	–
Less: Loss allowance provision	(156)	(145)	(88)	(88)
Total trade and other receivables	21,527	19,201	500	185

Notes to the Financial Statements

For the financial year ended 31 December 2020

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 150 days' terms. They are recognised at their original amounts which represent their fair values on initial recognition.

Amounts due from related parties

At the end of the reporting period, the amounts due from related parties amounted to \$249,000 (2019: \$412,000) which are non-interest bearing, repayable on demand and are to be settled in cash, except for an amount of \$79,000 (2019: \$320,000) which bears interest ranging at 4.35% (2019: 4.35%) per annum.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2020 \$'000	2019 \$'000
Movement in allowance accounts:		
At 1 January	832	676
Charge for the year	365	158
Exchange differences	5	(2)
At 31 December	1,202	832

The movement in allowance for expected credit losses of other receivables computed based on 12-month ECL are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Movement in allowance accounts:				
At 1 January	145	145	88	88
Charge for the year	11	–	–	–
At 31 December	156	145	88	88

Trade receivables and other receivables denominated in foreign currency at 31 December are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States dollars:				
– Trade receivables	455	701	–	–
– Other receivables	455	964	211	–
Chinese Renminbi:				
– Trade receivables	9,132	5,670	–	–
– Other receivables	4,690	4,381	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2020

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND ASSOCIATES

Amounts due from subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Amounts due from subsidiaries	11,851	12,968

The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Amounts due from subsidiaries denominated in foreign currency are as follows:

	Company	
	2020 \$'000	2019 \$'000
United States dollars	2,937	3,034

Amounts due to subsidiaries and associates

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Amounts due to subsidiaries	–	–	397	120
Amount due to associates	1,284	259	–	–
	1,284	259	397	120

The amounts due to subsidiaries and associates are non-trade, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash at banks and on hand	13,455	8,812	818	321
Fixed deposit	1,593	2,177	500	2,100
Cash and cash equivalents in the consolidated cash flow statement	15,048	10,989	1,318	2,421

Cash and cash balances denominated in foreign currency at 31 December are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States dollars	3,406	1,790	85	228
Chinese Renminbi	6,808	4,695	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2020

24. ASSETS CLASSIFIED AS HELD FOR SALE

During the previous financial year, the Group entered into a sales and purchase agreement with a third party to sell off certain equipment. Accordingly, they have been classified as held for sale.

	Group	
	2020 \$'000	2019 \$'000
At 1 January	665	636
Transfer from property, plant and equipment (Note 11)	–	36
Exchange difference	(14)	(7)
At 31 December	651	665

25. TRADE PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables – third parties	3,474	3,115	–	–

Trade payables are non-interest bearing and are generally on 2 to 3 months credit term.

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States dollars	981	639	–	–
Chinese Renminbi	1,286	1,906	–	–

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current:				
Deferred consideration payable	–	603	–	–
Other payables	22	28	–	–
	22	631	–	–
Current:				
Accrued expenses	2,103	2,276	494	896
Accrued directors' fees	98	83	98	83
Deferred consideration payable	750	484	–	–
Deposits and advances from customers	5,804	2,181	–	–
GST payables	51	16	–	–
Other payables	3,472	4,969	93	15
	12,278	10,009	685	994
Total other payables and accruals	12,300	10,640	685	994

Notes to the Financial Statements

For the financial year ended 31 December 2020

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Other payables and accruals and deferred consideration payable, denominated in foreign currency at 31 December are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States dollars	198	334	–	–
Chinese Renminbi	6,667	6,585	–	–

27. LOANS AND BORROWINGS

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current:					
<i>Bank loans:</i>					
– Revolving SGD loan facilities	(a)	–	1,120	–	–
– Secured RMB term loans	(b)	711	775	–	–
– Unsecured RMB term loans	(c)	607	579	–	–
– Secured SGD term loans	(d)	1,409	785	–	–
– Unsecured SGD term loans	(e)	542	1,477	542	1,477
– Secured USD term loans	(f)	2,846	2,905	–	–
		6,115	7,641	542	1,477
<i>Other loans and borrowings:</i>					
Bills payables – for trade purpose		7,512	7,577	–	–
Government loans		405	10	–	–
		14,032	15,228	542	1,477
Non-current:					
<i>Bank loans:</i>					
– Secured RMB term loans	(b)	3,734	1,441	–	–
– Secured SGD term loans	(d)	11,049	9,607	–	–
– Unsecured SGD term loans	(e)	3,000	171	1,000	171
– Secured USD term loans	(f)	3,633	4,050	–	–
		21,416	15,269	1,000	171
<i>Other loans and borrowings:</i>					
Government loans		196	574	–	–
		21,612	15,843	1,000	171
Total loans and borrowings		35,644	31,071	1,542	1,648

The Group has the following outstanding bank loans:

- (a) Revolving SGD loan facilities of \$1,120,000 was secured by a corporate guarantee from the Company. The loans bear fixed interests ranging from 3.08% to 3.20% per annum. The loan was fully repaid during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2020

27. LOANS AND BORROWINGS (CONTINUED)

(b) Secured RMB term loans comprising:

- Term loan of RMB1,327,000 or \$269,000 equivalent (2019: RMB4,408,000 or \$852,000 equivalent) is secured by corporate guarantee by an immediate holding company of the subsidiary company and the Company and personal guarantees of the directors of the subsidiary company, which bears interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 16 and 13 quarterly instalments with the first repayment instalment commencing in October 2017 and April 2018 respectively. The average effective interest rate is 4% to 5% (2019: 6.18%) per annum.
- Term loan of RMB1,313,000 or \$266,000 equivalent (2019: RMB2,063,000 or \$398,000 equivalent), bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in October 2018. The effective interest rate is 6.18% (2019: 6.18%) per annum.
- Term loan of RMB7,227,000 or \$1,463,000 equivalent (2019: RMB5,000,000 or \$966,000 equivalent), bearing interest at a floating rate of 30% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 9 instalments with the first repayment instalment commencing in August 2020. The effective interest rate is 6.18% (2019: 6.18%) per annum.
- Term loan of RMB1,000,000 or \$203,000 equivalent, bearing interest at a floating rate of 30% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 8 instalments with the first repayment instalment commencing in February 2021. The effective interest rate is 6.18% per annum.
- Term loan of RMB11,086,000 or \$2,244,000 equivalent, bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in April 2021. The effective interest rate is 6.18% per annum.

(c) Unsecured RMB term loans comprising:

- Unsecured RMB term loan of RMB2,000,000 or \$405,000 (2019: RMB2,000,000 or \$386,000) equivalent is unsecured, bears interest at 1.55% above the loan prime rate (2019: 4.50%) per annum and is repayable on 5 July 2021 (2019: 15 July 2020).
- Unsecured RMB term loan of RMB1,000,000 or \$202,000 (2019: RMB1,000,000 or \$193,000) equivalent is unsecured, bears interest at 5.40% (2019: 4.50%) per annum and is repayable on 14 January 2021 (2019: 8 January 2020).

(d) Secured SGD term loans comprising:

- Secured SGD term loans of \$9,607,000 (2019: \$10,392,000) undertaken by a subsidiary company to finance the expansion of its 2-storey industrial warehouse cum office at 52 Tuas Avenue 9, Singapore 639193. The loan bears floating interest at 1.50% (2019: 1.50%) per annum above bank swap rate and is repayable in equal instalments over 20 years from the date of drawdown.
- Term loan of \$2,851,000 is secured by corporate guarantee by the Company, bearing an effective interest rate of 3.00% per annum. The bank loan is repayable in 60 monthly instalments from the date of draw down.

Notes to the Financial Statements

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27. LOANS AND BORROWINGS (CONTINUED)

(e) Unsecured SGD term loans comprising:

- Unsecured SGD Term Loan of \$1,542,000 (2019: \$1,648,000) was drawn by the Company during the year. The loans bear fixed interest rate ranging from 2.25% to 4.88% (2019: 3.58% to 4.88%) per annum. This amount is repayable from January 2021 to December 2025.
- Term loan of \$2,000,000 was drawn down by a subsidiary during the year. The loans bear interest rates ranging from 2.25% to 3.00% per annum. The loan is repayable in instalments over 6 years from the date of draw down.

(f) Secured USD term loans comprising:

- Property loan of US\$3,002,000 or \$3,968,000 equivalent (2019: US\$3,255,000 or \$4,392,000) undertaken by a subsidiary to finance the purchase of a piece of vacant land for the construction of a factory building in Penang, Malaysia. The loan bears floating interest at 1.75% (2019: 1.75%) per annum above bank cost of funds and is repayable in 39 quarterly instalments from date of draw down and 1 final balloon instalment.
- Revolving loans of US\$1,900,000 or \$2,511,000 equivalent (2019: US\$1,900,000 or \$2,563,000), which bears fixed interest ranging from 2.17% to 4.15% (2019: 3.77% to 4.64%) per annum and secured by a corporate guarantee from the holding company.

Government loans

The government loans comprise:

- (a) A government loan of RMB2,000,000 or \$405,000 equivalent (2019: RMB2,000,000 or \$386,000 equivalent) granted to a subsidiary of the Group to finance the construction of the wastewater plant. The loan is unsecured, non-interest bearing and repayable by December 2021.
- (b) A government loan of KRW161,410,000 or \$196,000 (2019: KRW170,000,000 or \$198,000) granted to a subsidiary of the Group to finance working capital. The loan is unsecured, non-interest bearing and repayable by December 2022.

Bills payables

Bills payables are repayable between 3 to 6 months from the date the bills are first issued.

During the year ended 31 December 2020, the bills payables carry interests at rates ranging from 1.35% to 4.49% (2019: 1.75% to 4.59%) per annum.

The Company provides corporate guarantees to banks in respect of the bills payables amounting to \$7,512,000 (2019: \$7,577,000) owing by subsidiaries.

Bills payables denominated in foreign currency as at 31 December are as follows:

	Group	
	2020	2019
	\$'000	\$'000
United States dollars	1,945	3,299

Notes to the Financial Statements

For the financial year ended 31 December 2020

27. LOANS AND BORROWINGS (CONTINUED)

Undrawn committed borrowing facilities

As at 31 December 2020, the Group has available undrawn committed borrowing facilities of \$25,847,000 (2019: \$26,396,000).

Effective interest rates

	Effective interest rate	
	2020	2019
	%	%
<i>Bank loans:</i>		
– Revolving SGD loan facilities	nil	2.89% – 3.20%
– Secured RMB term loans	4.00% – 6.18%	6.18%
– Unsecured RMB term loans	5.40%	4.50%
– Secured SGD term loans	2.13% – 3.00%	3.10%
– Secured USD term loans	2.17% – 4.15%	3.77% – 4.64%
– Unsecured SGD term loans	2.25% – 4.88%	3.58% – 4.88%
<i>Other loans and borrowings:</i>		
Bills payables – for trade purpose	1.35% to 4.49%	1.75% – 4.59%

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2019	Cash	Non-cash changes		2020
	\$'000	flows	Foreign	Other	\$'000
		\$'000	exchange	\$'000	
			movement		
			\$'000	\$'000	
Bank loans					
– current	7,641	(2,720)	(291)	1,485	6,115
– non-current	15,269	7,358	274	(1,485)	21,416
Government loans					
– current	10	–	(10)	405	405
– non-current	574	–	27	(405)	196
Amount due to associates	259	1,025	–	–	1,284

	2018	Cash	Non-cash changes		2019
	\$'000	flows	Foreign	Other	\$'000
		\$'000	exchange	\$'000	
			movement		
			\$'000	\$'000	
Bank loans					
– current	6,037	(22)	(160)	1,786	7,641
– non-current	16,078	955	22	(1,786)	15,269
Government loans					
– current	991	(957)	(24)	–	10
– non-current	519	71	(16)	–	574
Amount due to associates	2,646	(2,387)	–	–	259

The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

Notes to the Financial Statements

For the financial year ended 31 December 2020

28. FINANCE DERIVATIVES LIABILITIES

	Group			
	2020		2019	
	Contract/ Notional amount \$'000	Liabilities \$'000	Contract/ Notional amount \$'000	Liabilities \$'000
Interest rate swaps	–	–	4,179	4

The interest rate swaps floating interest equal to SIBOR + 1.50% per annum, paid a fixed rate of interest ranging from 2.94% to 3.46% per annum and matured in March 2020. During the financial year, the fair value gain of \$4,000 (2019: \$7,000) has been recognised under the "Other income" line item in the consolidated income statement.

29. DEFERRED GOVERNMENT GRANTS

These are grants received from the government of the People's Republic of China for the improvements and upgrading of the wastewater treatment plants built and operated by the Group. These grants will be recognised in the income statement on a systematic basis over respective concession periods of 30 to 50 years.

	Group	
	2020 \$'000	2019 \$'000
At 1 January	1,591	1,703
Less: Amortisation of government grant	(71)	(67)
Exchange differences	77	(45)
At 31 December	1,597	1,591

30. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	Group			
	Balance sheet		Net change in income statement	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred tax liabilities:				
Undistributed earnings of associates	(229)	(229)	–	–
Unrealised profits	(171)	(128)	43	(72)
Fair value adjustments on acquisition of subsidiary	(809)	(853)	(44)	–
Exchange differences	(3)	5		
	(1,212)	(1,205)		
Deferred tax assets:				
Provisions	3	3	–	1
Deferred tax expense (Note 9)			(1)	(71)

Notes to the Financial Statements

For the financial year ended 31 December 2020

30. DEFERRED TAX (CONTINUED)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, deferred tax liability of \$nil (2019: \$nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries.

Such temporary differences for which no deferred tax liability has been recognised aggregate to \$15,766,000 (2019: \$13,686,000). The deferred tax liability is estimated to be approximately \$788,000 (2019: \$684,000).

31. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2020		2019	
	No. of ordinary shares '000	\$'000	No. of ordinary shares '000	\$'000
Issued and paid-up:				
At 1 January	292,733	38,776	248,973	36,131
Issuance of ordinary shares	–	–	43,760	2,844
Share issuance expenses	–	–	–	(199)
At 31 December	292,733	38,776	292,733	38,776

During the previous financial year, the Company allotted and issued approximately 43,760,000 ordinary shares at \$0.065 per share for an aggregate cash consideration of \$2,844,000 pursuant to a Rights Issue exercise.

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

(b) Treasury shares

	Group and Company			
	2020		2019	
	No. of ordinary shares '000	\$'000	No. of ordinary shares '000	\$'000
At 1 January and 31 December	(4,202)	(470)	(4,202)	(470)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

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For the financial year ended 31 December 2020

32. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2020	2019
	\$'000	\$'000
At 1 January	(1,033)	(299)
Net effect of exchange differences arising from translation of financial statements of foreign operations	1,471	(734)
At 31 December	438	(1,033)

33. STATUTORY RESERVE FUND

Under the present laws and regulations in the People's Republic of China ("PRC"), every company incorporated in PRC is required to make appropriations calculated at 10% of its profit after income tax from the retained earnings to the reserve fund every year until the accumulated balance in the reserve fund reaches 50% of the registered capital of that company. Further, every company in PRC is also required to make appropriations at the rates determined by its board of directors from its retained earnings to the enterprise expansion fund every year.

The statutory reserve fund may be used to cover losses incurred by the PRC companies and to increase its capital for the expansion of its production capacity. The enterprise expansion fund may be used to increase the capital of the company subject to approval from the relevant government authorities.

34. EMPLOYEE SHARE OPTION RESERVE

	Group and Company	
	2020	2019
	\$'000	\$'000
At 1 January	523	580
Cancelled/lapsed	(6)	(57)
At 31 December	517	523

Equity-settled share option scheme

The Company has two share option schemes for its non-executive directors and qualifying employees including directors. The schemes are administered by the Remuneration Committee which has the discretion to fix the exercise price for the options at a discount not exceeding 20% to the average of the closing price of the Company's shares for the last three trading days prior to the date of the grant ("average market price").

(a) *Market price options*

Options with subscription prices which are equal to the market price (the "Market price options") granted to employees may be exercised one year after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director.

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. EMPLOYEE SHARE OPTION RESERVE (CONTINUED)

Equity-settled share option scheme (Continued)

(b) Discounted options

Options with subscription prices which represent a discount to the market price (the "Discounted options") may be exercised two years after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director. There have been no cancellation or modification to the share option plan during both 2020 and 2019.

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	Group and Company			
	2020		2019	
	No. of share options	WAEP \$	No. of share options	WAEP \$
Outstanding at 1 January	11,977,500	0.067	10,632,000	0.083
Granted	–	–	2,395,500	0.067
Forfeited	(127,500)	0.067	(1,050,000)	0.067
Outstanding at 31 December	11,850,000	0.067	11,977,500	0.067
Exercisable at 31 December	11,850,000	0.067	11,977,500	0.067

- No share options were exercised during the year.
- The options outstanding at the end of the year have a weighted average remaining contractual life of 2.79 years (2019: 3.79 years).
- The exercise price for options outstanding at the end of the year was \$0.067 (2019: \$0.067).
- There are no share-based payment expense recognised during the financial year ended 31 December 2020 and 2019.

35. DIVIDENDS

	Group and Company	
	2020 \$'000	2019 \$'000
Declared and paid during the year:		
<i>Dividends on ordinary shares:</i>		
– Final exempt (one-tier) dividend for 2020: 0.3 (2019: nil) cent per share	866	–
Proposed but not recognised as liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at AGM</i>		
– Final exempt (one-tier) dividend for 2020: 0.1 (2019: 0.3) cent per share	289	866

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. RELATED PARTIES TRANSACTIONS

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2020 \$'000	2019 \$'000
Sales of goods to a related party	(1)	–
Purchase of goods from a related party	691	108
Engage of legal services from a firm related to a director	–	2

The Group has engaged Lee Bon Leong & Co., a firm of which one of the independent directors is the Senior Partner of the firm, for the provision of legal services in relation to the Group's affairs.

(b) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2020 \$'000	2019 \$'000
Salaries, bonuses and benefits	2,360	2,671
Central Provident Fund contributions	145	162
Directors' fees	98	83
	2,603	2,916
Comprise amounts paid to:		
– Directors of the Company	1,333	1,466
– Other key management personnel	1,270	1,450
	2,603	2,916

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Directors' interests in employee share option

At the end of the reporting period, the total number of outstanding share options granted by the Company to the above-mentioned directors under the share option plan amounted to 3,476,000 (2019: 3,476,000).

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37. CORPORATE GUARANTEE – COMPANY LEVEL

The Company has issued corporate guarantees to several financial institutions for borrowings granted to certain subsidiaries for \$53,883,000 (2019: \$53,266,000), of which \$30,895,000 (2019: \$29,621,000) were utilised at the end of the reporting period.

38. SEGMENT INFORMATION

The following segment information is prepared based on the nature of the principal activities of the Company and its subsidiaries. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. They are segregated primarily into four reporting segments; i.e. distribution of stainless steel piping products; manufacturing of steel flanges; engineering construction of piping process system and environmental business. Except as indicated above, no operating segments have been aggregated to form the above reportable segments.

Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on an arms' length basis in the manner similar to transactions with third parties.

Segment revenue and results are the operating revenue and results as reported in the Group's income statement that are directly attributable to a segment and can be allocated on a reasonable basis to that segment.

Segment assets include all operating assets used by a segment and consist principally of trade receivables, inventories and property, plant and equipment. Capital expenditure includes the total cost incurred to acquire property, plant and equipment and intangible asset which are directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade payables and accruals.

Income from associate is allocated to each segment on the basis they are specifically attributable to that segment, and correspondingly the investment in an associate are included as segment assets of the Group.

Notes to the Financial Statements

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38. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

	Distribution		Manufacturing of steel flanges		Engineering construction		Environmental business		Elimination		Consolidation		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	Note	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
Revenue													
External revenue	30,943	29,980	1,353	2,845	-	-	17,095	19,474	-	-	-	49,391	52,299
Inter-segment revenue	1,264	1,041	3,045	3,149	-	-	797	1,380	(5,106)	(5,570)	A	-	-
Total revenue	32,207	31,021	4,398	5,994	-	-	17,892	20,854	(5,106)	(5,570)		49,391	52,299
Result													
Segment results	(1,784)	(1,820)	106	145	(7)	(4)	7,026	5,362	(1,824)	181	B	3,517	3,864
Impairment of financial assets	(131)	(105)	(12)	-	-	-	(233)	(53)	-	-		(376)	(158)
Impairment of non-financial assets	(3,802)	(100)	-	-	-	-	(857)	(857)	3,802	100	C	-	(857)
Share of profits of associates	-	-	-	-	-	-	94	956	-	-		94	956
Gain on bargain purchase	-	-	-	-	-	-	-	1,718	-	-		-	1,718
Interest income	-	-	-	-	-	-	-	-	-	-		45	37
Finance costs	-	-	-	-	-	-	-	-	-	-		(1,292)	(1,418)
Profit before tax	-	-	-	-	-	-	-	-	-	-		1,988	4,142
Income tax	-	-	-	-	-	-	-	-	-	-		(156)	(665)
Profit for the year	-	-	-	-	-	-	-	-	-	-		1,832	3,477

Notes to the Financial Statements

For the financial year ended 31 December 2020

38. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

	Distribution		Manufacturing of steel flanges		Engineering construction		Environmental business		Consolidation	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets										
Segment assets	50,271	45,782	14,120	15,565	20	20	56,577	50,592	120,988	111,959
Investment in associates	—	—	—	—	—	—	11,264	10,654	11,264	10,654
Consolidated total assets									132,252	122,613
Liabilities										
Segment liabilities	16,340	12,397	2,564	2,555	4	3	11,927	13,328	30,835	28,283
Bank loans and government loans	16,197	13,359	6,479	6,955	—	—	5,456	3,180	28,132	23,494
Consolidated total liabilities									58,967	51,777
Other information										
Depreciation and amortisation	1,349	1,327	324	339	—	—	1,617	1,143	3,290	2,809
Capital expenditure	341	127	10	12	—	—	1,863	5,587	2,214	5,726
Other non-cash expenses	60	260	30	14	—	—	328	114	418	388

Notes to the Financial Statements

For the financial year ended 31 December 2020

38. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B The following items are deducted from segment profits to arrive at "profit before tax" presented in the consolidated income statement:

	2020	2019
	\$'000	\$'000
(Profit)/loss from inter-segment sales	(280)	13
Unallocated corporate expenses	(1,544)	168
	(1,824)	181

C Impairment in subsidiaries are eliminated on consolidation.

(b) Geographical information

The Group's operations are located in Singapore, South Korea, Malaysia and the People's Republic of China ("PRC"). The Group's engineering construction and the distribution of steel products divisions are in Singapore and South Korea while the Group's manufacturing of steel flanges is in Malaysia and environmental business divisions are based in Singapore and the PRC.

The following table provides an analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods or services:

	Group	
	2020	2019
	\$'000	\$'000
By geographical markets:		
Singapore	14,353	16,592
Malaysia	3,150	5,214
PRC	15,205	16,858
India	5,535	4,101
South Korea	7,552	3,063
Others ⁽¹⁾	3,596	6,471
	49,391	52,299

(1) Others mainly comprise Australia and Vietnam, which individually do not contribute more than 10% of the Group's revenue.

Notes to the Financial Statements

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38. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

The following is an analysis of the non-current assets by geographical area in which the assets are located:

	Non-current assets	
	2020 \$'000	2019 \$'000
Singapore	18,605	19,625
Malaysia	10,203	10,735
Korea	28	53
PRC	45,565	43,419
	74,401	73,832

Non-current assets information presented above consists of property, plant and equipment, right-of-use assets, goodwill, intangible assets, investment in associates, investment securities, club membership, refundable deposits and deferred tax assets as presented in the consolidated balance sheet.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Executive Director. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

Notes to the Financial Statements

For the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

The Group considers “low risk” to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower’s ability to meet its obligation

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group’s historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2020 and 31 December 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

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For the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

Singapore:

31 December 2020	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Gross carrying amount	2,826	1,238	497	126	1,034	5,721
Loss allowance provision	9	8	12	3	731	763

31 December 2019	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Gross carrying amount	1,994	964	950	1,109	1,323	6,340
Loss allowance provision	10	7	12	4	664	697

Other geographical areas:

31 December 2020	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Gross carrying amount	7,494	702	679	607	1,681	11,163
Loss allowance provision	76	25	20	14	304	439

31 December 2019	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Gross carrying amount	3,760	1,305	471	317	1,132	6,985
Loss allowance provision	2	28	11	6	88	135

Information regarding loss allowance movement of trade receivables are disclosed in Note 21.

Concentration risk

The Group does not have any 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 is limited due to the customer base being large and unrelated. The credit risk on liquid funds is limited because the Group places its cash with reputable financial institutions.

Notes to the Financial Statements

For the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Exposure to credit risk

The extent of the Group's credit exposure is represented by the aggregate carrying amount of cash and cash equivalents and trade and other receivables.

The maximum amount that the Company could be forced to settle under corporate guarantee contracts to the banks in respect of facilities extended to its subsidiaries is \$30,895,000 (2019: \$29,621,000) (Note 37).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 21.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net) at the balance sheet date is as follows:

	2020		2019	
	\$'000	% of total	\$'000	% of total
<i>By country:</i>				
Singapore	4,960	32%	6,472	52%
Malaysia	94	1%	190	2%
People's Republic of China	9,955	63%	4,843	39%
Others	673	4%	988	7%
	15,682	100%	12,493	100%

There were no customers who represented more than 5% of the total balance of trade receivables.

Other receivables and amount due from subsidiaries

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the loss allowance provision using 12-month ECL. Information regarding loss allowance movement of other receivables are disclosed in Note 21.

Notes to the Financial Statements

For the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group aims to maintain committed bank facilities prudently in excess of its estimated gross borrowing requirements.

Analysis of financial instruments by remaining contractual maturities

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

	2020			Total \$'000
	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	
Group				
Financial assets:				
Trade and other receivables ⁽¹⁾	19,797	–	–	19,797
Refundable deposits	–	–	892	892
Cash and cash equivalents	15,048	–	–	15,048
Total undiscounted financial assets	34,845	–	892	35,737
Financial liabilities:				
Trade and other payables and accruals ⁽²⁾	9,147	22	–	9,169
Lease liabilities	427	813	3,440	4,680
Amounts due to associates	1,284	–	–	1,284
Loans and borrowings	14,076	15,478	8,121	37,675
Total undiscounted financial liabilities	24,934	16,313	11,561	52,808
Total net undiscounted financial assets/(liabilities)	9,911	(16,313)	(10,669)	(17,071)

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables, deposits and advances from customers and deferred consideration payable.

Notes to the Financial Statements

For the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2019			Total \$'000
	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	
Group				
Financial assets:				
Trade and other receivables ⁽¹⁾	17,744	–	–	17,744
Refundable deposits	–	–	853	853
Cash and cash equivalents	10,989	–	–	10,989
Total undiscounted financial assets	28,733	–	853	29,586
Financial liabilities:				
Trade and other payables and accruals ⁽²⁾	10,443	28	–	10,471
Lease liabilities	410	807	3,616	4,833
Amounts due to associates	259	–	–	259
Loans and borrowings	15,675	11,044	7,199	33,918
Financial derivative liabilities	4	–	–	4
Total undiscounted financial liabilities	26,791	11,879	10,815	49,485
Total net undiscounted financial assets/(liabilities)	1,942	(11,879)	(9,962)	(19,899)

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables, deposits and advances from customers and deferred consideration payable.

	2020		Total \$'000
	1 year or less \$'000	More than 1 year \$'000	
Company			
Financial assets:			
Trade and other receivables ⁽¹⁾	403	–	403
Amounts due from subsidiaries	11,851	–	11,851
Cash and cash equivalents	1,318	–	1,318
Total undiscounted financial assets	13,572	–	13,572
Financial liabilities:			
Other payables and accruals	685	–	685
Amounts due to subsidiaries	397	–	397
Loans and borrowings	547	1,036	1,583
Total undiscounted financial liabilities	1,629	1,036	2,665
Total net undiscounted financial assets/(liabilities)	11,943	(1,036)	10,907

Notes to the Financial Statements

For the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	1 year or less \$'000	2019 More than 1 year \$'000	Total \$'000
Company			
Financial assets:			
Trade and other receivables ⁽¹⁾	180	–	180
Amounts due from subsidiaries	12,968	–	12,968
Cash and cash equivalents	2,421	–	2,421
Total undiscounted financial assets	15,569	–	15,569
Financial liabilities:			
Other payables and accruals	994	–	994
Amounts due to subsidiaries	120	–	120
Loans and borrowings	1,549	180	1,729
Total undiscounted financial liabilities	2,663	180	2,843
Total net undiscounted financial assets/(liabilities)	12,906	(180)	12,726

(1) Exclude GST receivables

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

	2020				2019			
	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	Total \$'000
Company								
Financial guarantees (Note 37)	12,479	11,597	6,819	30,895	14,524	8,730	6,367	29,621

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Foreign currency risk

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk. The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar and Chinese Renminbi against the Singapore dollar. To the extent possible, sales and purchases which are denominated in United States dollar provide natural hedges. The remaining foreign currency exposure is considered limited.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise the economic hedge.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and RMB (against SGD), with all other variables held constant, of the Group's profit net of tax.

		2020 (Decrease)/ increase in profit net of tax \$'000	2019 (Decrease)/ increase in profit net of tax \$'000
Group			
USD/SGD	- strengthened 2% (2019:1%)	(88)	(65)
	- weakened 2% (2019:1%)	88	65
RMB/SGD	- strengthened 5% (2019:3%)	300	77
	- weakened 5% (2019:3%)	(300)	(77)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2019: less than 6 months) from the end of the reporting period. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group's policy is to keep 40% to 70% (2019: 40% to 70%) of its loans and borrowings at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 20 (2019: 20) basis points higher/lower with all other variables held constant, the Group's profit before tax would have been \$56,000 (2019: \$47,000) lower/higher, arising mainly as a result of lower/higher interest expense on loans and borrowings and government loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

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40. FAIR VALUES OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation input used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following tables show an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
2020				
Group				
Finance liabilities:				
Deferred consideration payable	–	–	750	750
Financial liabilities as at 31 December 2020	–	–	750	750
2019				
Group				
Finance liabilities:				
Deferred consideration payable	–	–	1,087	1,087
<u>Financial derivative liabilities:</u>				
– Interest rate swaps	–	4	–	4
Financial liabilities as at 31 December 2019	–	4	1,087	1,091

Notes to the Financial Statements

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40. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value (Continued)

Deferred consideration payable

The fair value, determined using significant unobservable inputs (level 3), is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. The fair value is similar to the carrying amount as the current market rate does not differ significantly from the intrinsic rate of the deferred consideration payable.

A significant increase/(decrease) in the incremental lending rate based on management's assumptions would result in a significantly lower/(higher) fair value measurement.

(c) Level 2 fair value measurements

Finance derivative liabilities

Interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curve.

(d) Assets and liabilities not measured at fair value but for which fair values are disclosed

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

	Fair value measurements at the end of the reporting period using			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
2020				
Group Liabilities:				
Government loans (Note 27)	–	–	581	581
Financial liabilities as at 31 December 2020	–	–	581	581
2019				
Group Liabilities:				
Government loans (Note 27)	–	–	561	561
Financial liabilities as at 31 December 2019	–	–	561	561

Notes to the Financial Statements

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40. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(d) Assets and liabilities not measured at fair value but for which fair values are disclosed (Continued)

	Group			
	2020		2019	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Assets:				
Refundable deposit (Note 19)	892	#	853	#
Liabilities:				
Government loans (Note 27)	601	581 ^{^^}	584	561 ^{^^}

Refundable deposits

It is not practical to estimate the fair value of the non-current refundable deposits as the amounts are not repayable within a year and have no fixed repayment terms. Hence, the timing of future cash flows cannot be estimated reliably.

^{^^} Government loans

The fair value, determined using significant unobservable inputs (level 3), is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables, amount due from subsidiaries, cash and cash equivalents, trade payables, other payables and accruals, amount due to subsidiaries and associates, loans and borrowings and lease liabilities

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are subject to interest rates close to market rates of interests for similar arrangements with financial institutions.

Notes to the Financial Statements

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41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

Group	Note	Assets at amortised cost \$'000	Liabilities at amortised cost \$'000	Total \$'000
2020				
Assets:				
Refundable deposits	19	892	–	892
Trade and other receivables ⁽¹⁾	21	19,797	–	19,797
Cash and cash equivalents	23	15,048	–	15,048
Total		35,737	–	35,737
Liabilities:				
Trade payables	25	–	3,474	3,474
Other payables and accruals ⁽²⁾	26	–	5,695	5,695
Amount due to associates	22	–	1,284	1,284
Loans and borrowings	27	–	35,644	35,644
Lease liabilities	12	–	3,030	3,030
Total		–	49,127	49,127
2019				
Assets:				
Refundable deposits	19	853	–	853
Trade and other receivables ⁽¹⁾	21	17,744	–	17,744
Cash and cash equivalents	23	10,989	–	10,989
Total		29,586	–	29,586
Liabilities:				
Trade payables	25	–	3,115	3,115
Other payables and accruals ⁽²⁾	26	–	7,356	7,356
Amount due to associates	22	–	259	259
Loans and borrowings	27	–	31,071	31,071
Lease liabilities	12	–	2,945	2,945
Financial derivative liabilities	28	–	4	4
Total		–	44,750	44,750

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables, deposits and advances from customers and deferred consideration payable.

Notes to the Financial Statements

For the financial year ended 31 December 2020

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company	Note	Assets at amortised cost \$'000	Liabilities at amortised cost \$'000	Total \$'000
2020				
Assets:				
Trade and other receivables ⁽¹⁾	21	403	–	403
Amounts due from subsidiaries	22	11,851	–	11,851
Cash and cash equivalents	23	1,318	–	1,318
Total		13,572	–	13,572
Liabilities:				
Amounts due to subsidiaries	22	–	397	397
Other payables and accruals	26	–	685	685
Loans and borrowings	27	–	1,542	1,542
Total		–	2,624	2,624
2019				
Assets:				
Trade and other receivables ⁽¹⁾	21	180	–	180
Amounts due from subsidiaries	22	12,968	–	12,968
Cash and cash equivalents	23	2,421	–	2,421
Total		15,569	–	15,569
Liabilities:				
Amounts due to subsidiaries	22	–	120	120
Other payables and accruals	26	–	994	994
Loans and borrowings	27	–	1,648	1,648
Total		–	2,762	2,762

(1) Exclude GST receivables.

42. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into several service concession arrangements within certain governing bodies and agencies of the People's Republic of China government to construct and operate wastewater treatment plants.

Group	Construction revenue \$'000	Operating income of wastewater treatment plants \$'000	Total service concession revenue \$'000
For financial year ended 31 December 2020	4,242	10,924	15,166
For financial year ended 31 December 2019	8,304	8,007	16,311

The revenue recognised in relation to construction represents the fair value of the construction services provided in constructing the wastewater treatment plants.

Notes to the Financial Statements

For the financial year ended 31 December 2020

42. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

The details of service concession arrangements are as follows:

Name of subsidiary	Plant type	Type and period of concession
ChangXing AW	Wastewater treatment plant	Build-Operate-Transfer ("BOT"), 30 years
LJX	Wastewater treatment plant	BOT, 30 years
CX Annyi	Wastewater treatment plant	BOT, 30 years
CX Hengyi	Wastewater treatment plant	BOT, 30 years
Shuanglin	Wastewater treatment plant	BOT, 25 years
CX Linyi	Wastewater treatment plant	Build-Operate-Own ("BOO"), 30 years
CX LinSheng	Wastewater treatment plant	BOO, 50 years
CX WuSheng	Wastewater treatment plant	BOO, 50 years

The subsidiaries are required to hand back these respective plants and other related facilities under the BOT arrangements to the respective local municipal government body/agency at the end of the respective concession periods without any consideration.

Subject to the approval of the local municipal government, the various concession arrangements allow for tariff adjustment based on the increases in key operating costs, overall adjustment of water tariff rates in the region where the plants operate, and the government policies regarding the management of water resources.

43. CAPITAL MANAGEMENT

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 stockholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes borrowings as disclosed in Notes 27 and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 31 to 34.

Management reviews the capital structure of the Company on a yearly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group maintains the capital requirements and complies with the financial covenants within the range imposed by various banks for the borrowings extended to the Group.

The Group's overall strategy for 2020 has remained unchanged from 2019.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2020, total liabilities and total equity are \$58,967,000 (2019: \$51,777,000) and \$73,285,000 (2019: \$70,836,000) respectively. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2020, the Group's gearing ratio was 0.80 (2019: 0.73).

Notes to the Financial Statements

For the financial year ended 31 December 2020

44. IMPACT OF CORONAVIRUS DISEASE (“COVID-19”)

The COVID-19 pandemic has affected many countries resulting in border closures, movement controls and other measures imposed by various governments. The Group and its customers and suppliers have been affected to varying degrees. The Group also received government grants during the year aimed at supporting companies during the period of economic uncertainty.

The Group has considered the market conditions (including the impact of COVID-19) in making estimates and judgements on the recoverability of assets as at 31 December 2020. The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

As the global COVID-19 situation remains very fluid as at the date of these financial statements authorized for issuance, the Group is unable to reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the financial year ending 31 December 2021.

45. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 31 March 2021.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2021

SHAREHOLDERS' INFORMATION

Number of Equity Securities	:	288,530,874*
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per share

* Excluding non-voting 4,202,100 treasury shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	8	0.66	287	0.00
100 – 1,000	37	3.06	25,200	0.01
1,001 – 10,000	335	27.71	2,288,600	0.79
10,001 – 1,000,000	800	66.17	66,128,769	22.92
1,000,001 AND ABOVE	29	2.40	220,088,018	76.28
TOTAL	1,209	100.00	288,530,874	100.00

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Indirect Interest	%
Ow Chin Seng ⁽¹⁾	94,739,197	32.84	14,343,655	4.97
Low Kheng ⁽¹⁾	14,343,655	4.97	94,739,197	32.84
Lian Lay Kheng ⁽²⁾	6,516,900	2.26	11,815,950	4.10
Low Sim Yam ⁽²⁾	11,815,950	4.10	6,516,900	2.26

(1) Ow Chin Seng and Low Kheng are husband and wife.

(2) Lian Lay Kheng and Low Sim Yam are husband and wife.

STATISTICS OF SHAREHOLDINGS

As at 17 March 2021

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	111,160,600	38.53
2	MAYBANK KIM ENG SECURITIES PTE. LTD.	17,383,750	6.02
3	LOW KHENG	14,343,655	4.97
4	OW CHIN SENG	7,239,197	2.51
5	LIM CHIN KEONG	6,752,175	2.34
6	LIAN LAY KHENG	6,516,900	2.26
7	PHILLIP SECURITIES PTE LTD	4,855,450	1.68
8	HONG LEONG FINANCE NOMINEES PTE LTD	4,641,100	1.61
9	SEOW ZI-HUA	4,577,500	1.59
10	LEE TECK LEONG	4,376,000	1.52
11	DBS NOMINEES (PRIVATE) LIMITED	4,354,900	1.51
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,243,400	1.47
13	CHEW KIT LENG	3,330,646	1.15
14	EE KIM CHUAN @ YEE KIM CHUAN	2,786,500	0.97
15	EVE PHUA SIN YEE (PAN XINYI)	2,664,000	0.92
16	KWEK GEOK YONG	2,417,000	0.84
17	KWA CHING TZE	2,000,000	0.69
18	NG THENG LOCK	1,962,309	0.68
19	ANG MONG AIANG OR ANG THONG HUANG (HONG ZHONGHAN)	1,650,000	0.57
20	YAP KOK VEE	1,635,000	0.57
TOTAL		208,890,082	72.40

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 52.21% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalyst of the SGX-ST.

TREASURY SHARES

Total number of ordinary shares held in Treasury : 4,202,100

Voting rights : None

Percentage of this shareholding against total number of issued shares excluding Treasury Shares : 1.46%

Company has nil subsidiary holdings as at 31 December 2020 (31 December 2019: nil).

STATISTICS OF WARRANTHOLDINGS

As at 17 March 2021

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	10	7.94	6,911	0.02
1,001 – 10,000	47	37.30	229,200	0.52
10,001 – 1,000,000	61	48.41	7,221,568	16.50
1,000,001 AND ABOVE	8	6.35	36,302,295	82.96
TOTAL	126	100.00	43,759,974	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	19,101,575	43.65
2	LOW KHENG	6,068,731	13.87
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,989,850	9.12
4	LIAN LAY KHENG	2,172,300	4.96
5	LOW SIM YAM	1,469,325	3.36
6	LEE TAT KWONG (LI DAGUANG)	1,262,525	2.89
7	PHILLIP SECURITIES PTE LTD	1,147,250	2.62
8	OW CHIN SENG	1,090,739	2.49
9	SEOW ZI-HUA	915,500	2.09
10	NG KIM KEANG	770,000	1.76
11	DBS NOMINEES (PRIVATE) LIMITED	558,000	1.28
12	EE KIM CHUAN @ YEE KIM CHUAN	557,300	1.27
13	GOH GUAN SIONG (WU YUANXIANG)	507,100	1.16
14	LIM CHIN KEONG	355,875	0.81
15	LIAN BEE METAL PTE LTD	302,675	0.69
16	KHOO SWEE KWANG	300,000	0.69
17	PEH CHOON CHIEH (BAI JUNJIE)	183,591	0.42
18	CHEE YEOK YIN	174,100	0.40
19	LIM LU SUAN	142,500	0.33
20	GOH PENG TONG	133,000	0.30
TOTAL		41,201,936	94.16

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AnnAik Limited (the “**Company**”) will be held by way of electronic mean on 30 April 2021 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2020 together with the Auditors’ Report thereon.
(Resolution 1)
2. To declare first and final dividend (tax exempt one-tier) of 0.10 Singapore cent per ordinary share for the financial year ended 31 December 2020.
(Resolution 2)
3. To re-elect Ms Tan Poh Hong, a Director who is retiring pursuant to Regulation 121 of the Constitution of the Company.
(Resolution 3)
[See Explanatory Note (i)]
4. To note the retirement of Mr Benjamin Ow Eei Meng, a Director who is retiring pursuant to Regulation 121 of the Constitution of the Company and will not be seeking for re-election.
5. To approve the payment of Directors’ fees of S\$97,700 for the financial year ended 31 December 2020. (FY2019: S\$82,700)
(Resolution 4)
6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 5)
7. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

8. **General mandate to issue new shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

Notice of Annual General Meeting

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with 8(2)(a) or 8(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate.

- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law and the Catalist Rules to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 6)

[See Explanatory Note (ii)]

9. **Authority to allot and issue new ordinary shares pursuant to the AnnAik Limited Scrip Dividend Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) allot and issue such number of new ordinary shares in the capital of the Company as may be required to be allotted and issued pursuant to the application of the AnnAik Limited Scrip Dividend Scheme; and/or
- (b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, allot and issue such number of new ordinary shares in the capital of the Company pursuant to the application of the AnnAik Limited Scrip Dividend Scheme to any dividend which was approved while the authority conferred by this Resolution was in office;

Notice of Annual General Meeting

provided that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 7)

[See Explanatory Note (iii)]

10. Authority to grant options and issue shares under the AnnAik Employee Share Option Scheme 2013

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the AnnAik Employee Share Option Scheme 2013 (the "**Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 8)

[See Explanatory Note (iv)]

11. Renewal of Share Buy-Back Mandate

That approval be and is hereby given:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 and the Catalist Rules of the SGX-ST, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
 - (ii) off-market purchases ("**Off-Market Purchases**") effected pursuant to any equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Chapter 50,

and otherwise be in accordance with all other laws, the Catalist Rules of the SGX-ST and other regulations and rules of the SGX-ST,

(the "**Share Buy-Back Mandate**");

- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
 - (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
 - (ii) the date on which the authority conferred by the Share Buy Back Mandate is revoked or varied by the Company in a general meeting, or

Notice of Annual General Meeting

- (iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; and
- (c) the Directors of the Company and/or any of them be and is hereby authorised to do such acts and things (including, without limitation, enter into all transactions, arrangements and agreements and executing such documents) as they and/or he may consider necessary or expedient to give effect to this Resolution.

In this Resolution:

“Maximum Limit” means that number of Shares representing 10% of the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period (as defined below), effected a reduction of its share capital in accordance with the applicable provisions under the Companies Act, Chapter 50, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction. Any of the Shares held by the Company as treasury shares shall be disregarded for purposes of computing the 10% limit;

“Maximum Price” in relation to a Share to be purchased or acquired, means the price paid per Share which does not exceed 105% of the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant 5-day period.

The Maximum Price shall apply to both Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses; and

“Relevant Period” means the period commencing from the date on which the Annual General Meeting of the Company at which this Resolution is passed is held and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier, after the date of the passing of this Resolution.

(Resolution 9)

[See Explanatory Note (v)]

By Order of the Board

Siau Kuei Lian
Company Secretary

Singapore
14 April 2021

Notice of Annual General Meeting

Explanatory Notes:

- (i) Ms Tan Poh Hong will, upon re-election as a Director of the Company, remain as a Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee and will be considered independent pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 29 to page 31 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST.
- (ii) The Ordinary Resolution 6 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.
- For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- (iii) The Ordinary Resolution 7 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue new ordinary shares in the Company pursuant to the AnnAik Limited Scrip Dividend Scheme (as approved by shareholders in Extraordinary General Meeting dated 30 April 2018) to shareholders who, in respect of a qualifying dividend, elect to receive scrip in lieu of part or all of the cash amount of that qualifying dividend.
- (iv) The Ordinary Resolution 8 in item 10 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or the date which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options under the Scheme and to allot and issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time.
- (v) The Ordinary Resolution 9 in item 11 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or the date which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to repurchase Shares by way of Market Purchases and/or Off-Market Purchases of up to 10% of the total number of Shares (excluding treasury shares) at the Maximum Price (as defined in Resolution 10). Information relating to this proposed Resolution is set out in the Appendix dated 14 April 2021 (in relation to the Renewal of Share Buy-Back Mandate).

Notes:

1. A Member of the Company (including a Relevant Intermediary*) entitled to vote at the Annual General Meeting (the "**Meeting**") may appoint Chairman of the Meeting to act as proxy and direct the vote at the Meeting.
2. The instrument appointing the Chairman of the Meeting as the proxy must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 by mail or email to kking@annaik.com and cheeseng@annaik.com not less than seventy-two (72) hours before the time appointed for holding the Meeting.
3. The instrument appointing the Chairman of the Meeting as the proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the proxy form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
4. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Notice of Annual General Meeting

NOTICE OF RECORD AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of AnnAik Limited (the “Company”) will be closed on 11 May 2021 at 5.00 p.m. for the purpose of determining the entitlements to the proposed first and final dividend (tax exempt one-tier) of 0.10 Singapore cent per ordinary share to be proposed at the Annual General Meeting (“AGM”) of the Company to be held on 30 April 2021.

Duly completed registrable transfers received by the Company’s Share Registrar, In.Corp Corporate Services Pte. Ltd. of 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, up to 5.00 p.m. on 11 May 2021 will be registered to determine members’ entitlements to the said dividend.

Members whose Securities Account with The Central Depository (Pte) Limited are credited with shares up to 5.00 p.m. on the Record Date will be entitled to the proposed dividend.

The proposed payment of the dividend, if approved by the members at the AGM to be held on 30 April 2021, will be made on 19 May 2021.

PERSONAL DATA PRIVACY

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

IMPORTANT AGM NOTICE ON COVID-19

Due to the fast-evolving COVID-19 situation in Singapore, the Company is closely monitoring the situation, including any precautionary measures which may be required or recommended by government agencies to minimise the risk of spread of COVID-19. The Company may be required to change its AGM arrangements at short notice. Shareholders are advised to check on the SGXNet for any latest updates on changes, if any.

To comply with the joint announcement released by Singapore Exchange Regulation, the Accounting and Corporate Regulatory Authority and the Monetary Authority of Singapore on the updated guidance on general meetings on 1 October 2020, the Company reserves the right to take appropriate measures to minimise the risk of Shareholders and others attending by limiting the number of attendees in the AGM. During the AGM, the Company will duly comply with measures provided by Ministry of Health, by no means exhaustive, safe distancing, conducting temperature checks, refusal of entry of attendees exhibiting fever or flu-like symptoms, and requiring the signing of health declaration forms (which may also be used for the purposes of contact tracing, if required).

We strongly advise Shareholders to refrain from attending the AGM physically by attending the AGM proceeding via the ‘live’ Webcast and to vote via Proxy. Any attendees of the AGM without prior arrangement and relevant confirmation from the Company will be refused entry.

1. Proxy Voting

Shareholders who wish to vote for the resolutions, have to submit their proxy form in advance and appoint “Chairman of the Meeting” as their proxy by completing the proxy form attached to the Notice of AGM.

Shareholder can either choose to submit the completed and signed proxy form by:

- (i) Depositing it at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193, or
- (ii) Email it to kkng@annaik.com and cheeseng@annaik.com,

not less than seventy-two (72) hours before the time appointed for holding the AGM of the Company. Any incomplete proxy forms will be rejected by the Company. For CPF or SRS investors who wish to appoint the chairperson as their proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the general meetings.

2. Live Webcast

Shareholders who wish to participate the AGM via webcast must email their full name, NRIC/Passport No./Company Registration No. and address to kkng@annaik.com and cheeseng@annaik.com not less than seventy-two (72) hours before the time appointed for the AGM on 27 April 2021. Only Shareholders of AnnAik Limited will be able to register to watch the live webcast.

After verification, authenticated shareholders (or their proxies) will receive an email confirmation by 29 April 2021 with their user ID, password details and link to access the live webcast of the AGM proceedings. The email confirmation will be sent to the email submitted to the participation email.

Shareholders who are watching the live webcast will not be able to vote online.

Notice of Annual General Meeting

3. Shareholders' Queries and Answers

Shareholders may submit any questions that are related to any resolutions to be tabled for approval at the AGM. Shareholders may send their queries in advance, before 27 April 2021, via email to our Investor Relations team at kkng@annaik.com and cheeseng@annaik.com.

The Company will endeavour to upload the Company's responses to substantial queries from Shareholders on the SGXNet and Company's website by 29 April 2021. Any subsequent queries after 27 April 2021, will be addressed during the AGM. The Company is unable to take on questions through the live webcast proceedings.

The Company will closely monitor the situation and reserves the right to take further measures or short-notice arrangements as and when appropriate in order to minimise any risk to the attendees of the AGM. Any material developments will be announced on the SGXNet. The Company apologises for any inconvenience caused and seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of the COVID-19. The Company, Group, officers and employees shall have no liability whatsoever to shareholders, their proxies, corporate representatives or any other attendees arising out of or in connection with any of them being infected or suspected of being infected with COVID-19 or suffering any losses arising out of or in connection with attendance at the AGM of the Company and/or the Company taking precautionary measures at the Company's discretion in response to the COVID-19 situation.

This Notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the "**Sponsor**"). The Notice has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Notice including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms Vera Leong, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (+65) 6415 9881.

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ANNAIK LIMITED

(Company Registration No. 197702066M)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)
being a member/members of AnnAik Limited (the "Company"), hereby appoint:

Chairman of the Meeting	Proportion of Shareholdings	
	No. of Shares	%

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held by way of electronic mean on 30 April 2021 at 10.00 a.m. and at any adjournment thereof.

I/We direct the Chairman of the Meeting to vote for, against or to abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the Chairman of the Meeting will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*	No. of votes 'Abstain'*
Ordinary Businesses				
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020			
2	Declaration of first and final dividend for the financial year ended 31 December 2020			
3	Re-election of Ms Tan Poh Hong as a Director of the Company			
4	Approval of Directors' fees amounting to S\$97,700 for the financial year ended 31 December 2020			
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration			
Special Businesses				
6	General mandate to issue new shares			
7	Authority to allot and issue new ordinary shares pursuant to AnnAik Limited Scrip Dividend Scheme			
8	Authority to grant options and issue shares under the AnnAik Employee Share Option Scheme 2013			
9	Renewal of Share Buy-Back Mandate			

* If you wish to exercise all your votes 'For', 'Against' or to 'Abstain' from voting, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not to be counted in computing the required majority on a poll.

Dated this _____ day of _____ 2021

Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

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

 **IMPORTANT: PLEASE READ NOTES ON THE REVERSE**

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (including a Relevant Intermediary*), entitled to vote at the Meeting may appoint Chairman of the Meeting to act as proxy and direct the vote at the Meeting.
3. The instrument appointing the Chairman of the Meeting as the proxy must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 by mail or email to kkng@annaik.com and cheeseng@annaik.com not less than seventy-two (72) hours before the time appointed for the Meeting.
4. The instrument appointing the Chairman of the Meeting as the proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as the proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as the proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.
5. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as the proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2021.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as the proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as the proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as the proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Corporate Directory

Board of Directors

Mr Ow Chin Seng, PBM
Executive Chairman cum CEO

Mr Ow Eei Meng Benjamin
Executive Director cum Deputy CEO

Mr Ng Kim Keang
Executive Director cum COO

Mr Lim Geok Peng
Ms Tan Poh Hong
Mr Gan Thiam Poh
Independent Directors

Corporate Information

Audit Committee
Mr Lim Geok Peng
Chairman
Mr Gan Thiam Poh
Ms Tan Poh Hong

Nominating Committee
Mr Gan Thiam Poh
Chairman
Mr Lim Geok Peng
Ms Tan Poh Hong
Mr Ow Chin Seng, PBM

Remuneration Committee
Ms Tan Poh Hong
Chairman
Mr Gan Thiam Poh
Mr Lim Geok Peng

Management Team

Distribution Division
Mdm Low Kheng
Director of a subsidiary
– Singapore

Mr Ow Eei Phurn Benedict
Sales Director of a subsidiary
– Singapore

Mr Tay Chee Seng
Financial Controller
– Singapore

Mr Terence Sim Soo Yong
General Manager of a subsidiary
– Singapore

Manufacturing Division
Mr Lim Khan Choon
Deputy General Manager
– Penang, Malaysia

Environmental Technology &
Engineering Division
Dr Qiu Jiangping
Group President
– Environmental Business
– China

Dr Yang Guo Ying
Technical Director of a subsidiary
– Singapore

Dr Wang Jin
General Manager
– Environmental Business
– China

Company Secretary

Ms Siau Kuei Lian

Registered Office

52 Tuas Avenue 9
Singapore 639193
Tel: 65 6210 2727, 6210 2726
Fax: 65 6861 5705, 6861 6919
Email: sales@annaik.com

Share Registrar

In.Corp Corporate Services Pte. Ltd.
(formerly known as RHT Corporate Advisory Pte. Ltd.)
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712
Tel: 65 6812 1611
Fax: 65 6812 1601

Principal Bankers

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Ltd
12 Marina Boulevard #43-03
Marina Bay Financial Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#06-00, OCBC Centre East
Singapore 049514

Sponsor

Hong Leong Finance Limited
Ms Vera Leong CFA
Vice President
16 Raffles Quay, #01-05
Hong Leong Building
Singapore 048581

Auditors

Ernst & Young LLP
Certified Public Accountants
(Partner: Ms Lee Lai Hiang)
Date of appointment:
Effective from financial year
ended 31 December 2020
Number of years in-charge: 1 year
One Raffles Quay
North Tower, Level 18
Singapore 048583



(Company Registration No. 197702066M)
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