

Pan Asian Holdings Limited
百益胜控股有限公司



Marina East Desalination Plant
photo courtesy of Keppel

ANNUAL REPORT

2018

INCARICH

DUVALCO

MUHR ASIA

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This annual report has been prepared by the Company and reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this annual report.

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

OUR MISSION



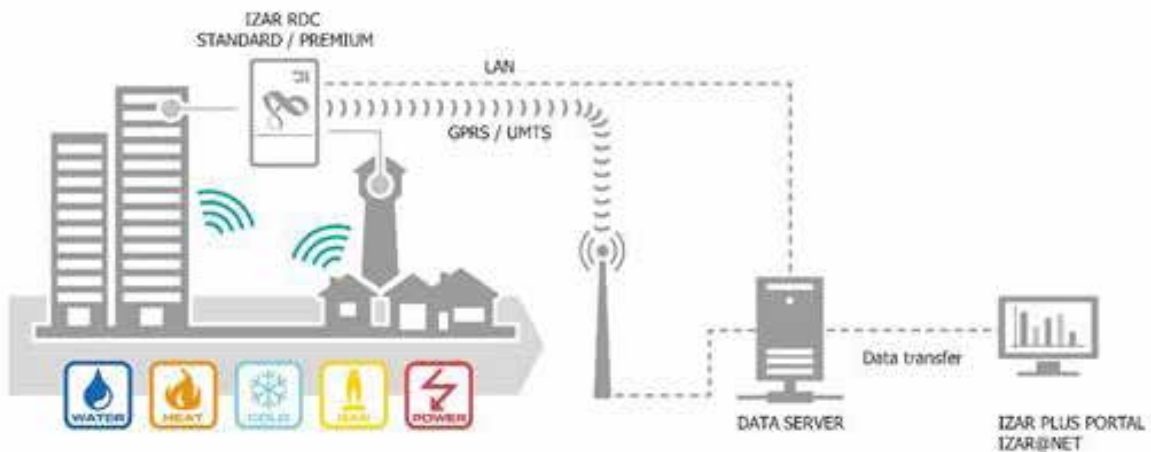
To be a leading manufacturer cum representative of world class manufacturer so that we can be a preferred partner to the global industry by ensuring customer satisfaction through providing consistent quality product punctually which shall be achieved by the company's continuous, motivating, challenging and rewarding policy to its committed employees.

With the continued success achieved, it will be able to consider to continue to reward its shareholders.

OUR VISION

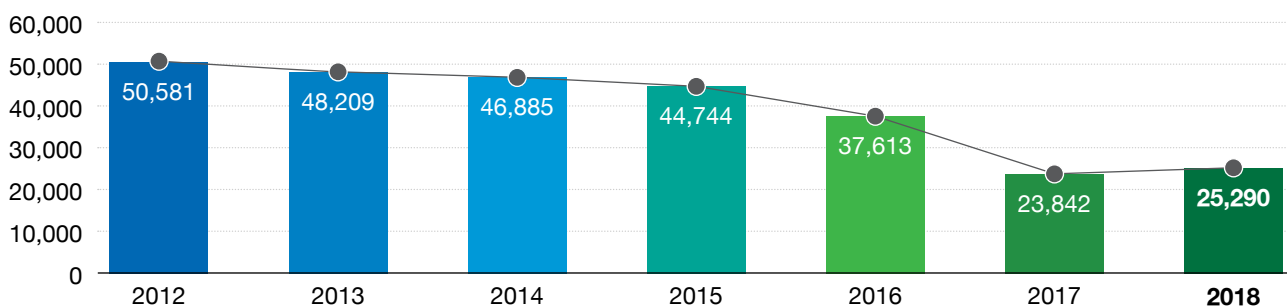
In 10 years time, PAHL aspires to be an International company with supply success in more than 50 countries and with no less than 25% market share in each region/country.

To achieve this success, PAHL will in parallel work to ensure its employees' career cum financial being is improved.

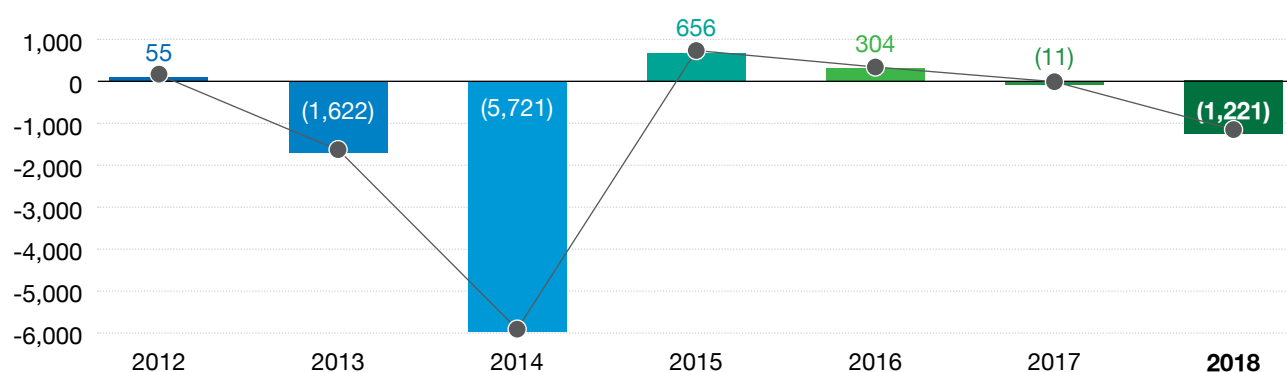


FINANCIAL HIGHLIGHTS

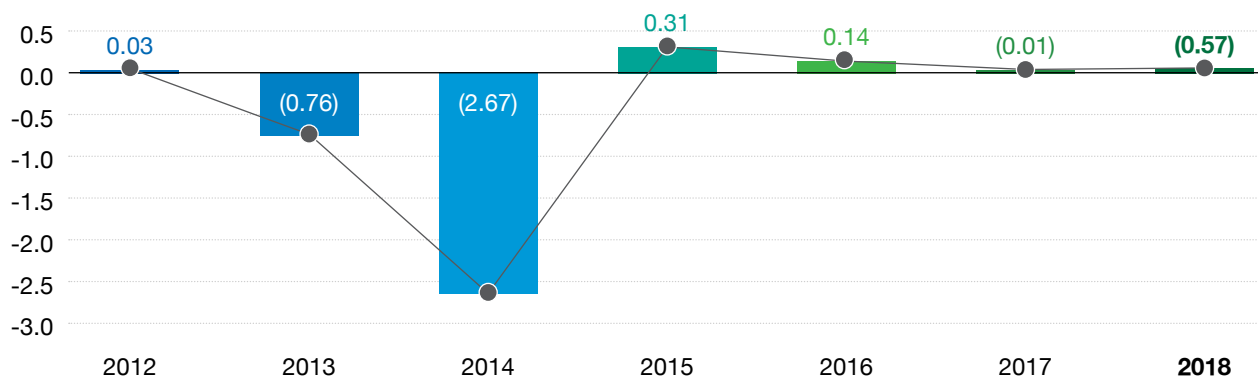
REVENUE (S\$'000)



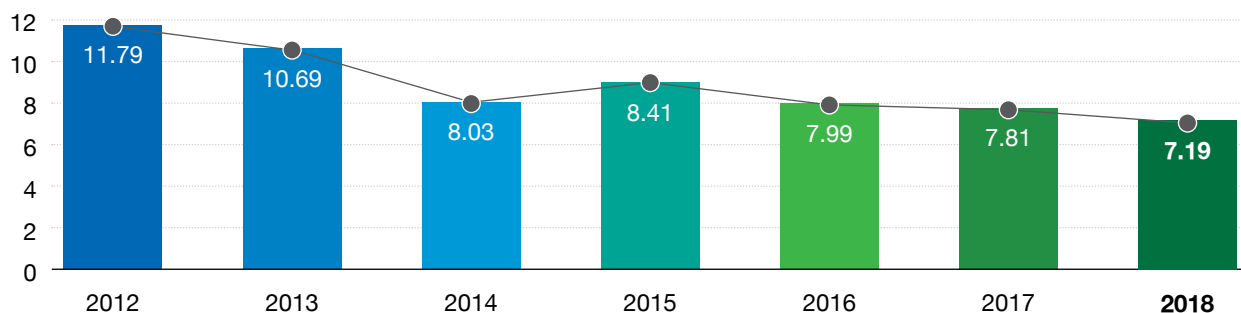
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S\$'000)



EARNINGS PER SHARE (CENTS)



NET ASSET VALUE PER SHARE (CENTS)



CORPORATE PROFILE

Founded in 1979, Pan Asian Holdings Limited (“Pan Asian” or the “Company”) together with its subsidiaries (the “Group”) is a leading supplier of high quality pipe system and equipment for water infrastructure projects in Asia Pacific Region. The Company started as Stockist for water meter, piping and valves for the water, oil and gas sectors.

In 2004, Pan Asian became a public listed company on the Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

Today, besides manufacturing products under the brands that the Group licensed, the Group is also the agent for 15 well-known international brands of water solution related products. The product range from Smart Water meter solution, high quality pipe of different materials, pipe fitting and accessories, storage solution, Hydro-Mechanical product, Water & Wastewater treatment related equipment and turnkey solution. These product are hail from US, Japan, UK, Europe and China. In 2018, the group has also expanded into different sectors such as: Waste to Energy and power plant.

In 2018, Pan Asian Flow Technology Pte Ltd (“PAFT”) signed a Memorandum of Understanding during the Singapore International Water Week with MUHR GmbH (“MUHR”), an International Acclaimed Engineering Company and Equipment manufacturer. The Joint venture is known as MUHR Asia Pte Ltd (“MUHR Asia”). MUHR Asia will capitalize on the Technical expertise and knowledge from MUHR and market knowledge from PAFT to operate in East Asia Region. MUHR Asia will bring high quality engineering products and coupled with excellent service to East Asia. Leveraging on its technical expertise, 40 years of experience and knowhow of the local & East Asia Market, Pan Asian is the trusted partner to many Partners, Customer and Utilities.





DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present you Pan Asian Holdings Limited's ("PAHL" or the "Group") annual report for the financial year ended 31 December 2018 ("FY2018").

RICHARD KOH CHYE HENG

Executive Chairman
Pan Asian Holdings Limited

CHAIRMAN'S STATEMENT

YEAR IN REVIEW

The Group's performance in 2018 was impacted by competitors' price pressures and delay in key projects.

The Group recorded a higher revenue of \$25.3 million in FY2018, compared to \$23.8 million in the previous financial year and a net loss after tax of \$1.2 million.

During the year, the Group had successfully taken over the manufacturing facility of Duvalco brand of valves from its existing vendor in Wuxi, China.

Also during the year, the Group had entered into a 50% Joint Venture with E & R Muhr Holding GmbH ("MUHR"). MUHR is an engineering company that specialises in design and manufacturing of hydromechanical equipment, with 60 years of track records in various infrastructure projects globally.

RE-GROUP, RE-FOCUS

2018 marked a year of Re-Group and Re-Focus for the Group.

In pursuit of long term sustainable growth, the Group has embarked on focusing on development of three interrelated revenue segments:

1. General Trading

Trading of Pipes & Fittings has been the Group's core business and strength. Though at risk of continuous price pressures, the Group will continue to work with its principals to leverage its reputation as a reliable supplier in the water and waste industry to expand into the regional countries to increase the sales and provide more value add solutions to its customers.

2. Valves

With full control and ownership of Duvalco's manufacturing facility, the Group has been able to enjoy gross margins from both the upstream and the downstream of the valves business. The Group had since been directly supplying to various industries from ship building to power plants and will continue to grow its sales network.

3. Engineering Solutions

The Group had made some tangible progress in partnering with specialty vendors to provide engineering solutions to water infrastructure projects in the regions.

One such partnership is MUHR Asia Pte Ltd ("MUHR Asia"). MUHR Asia has since been actively tendering for infrastructure projects in the ASEAN regions.

SUSTAINABILITY

Pan Asian continues to prioritise sustainable practices as they are important for the long-term development and success of the Group's business. It will publish its standalone FY2018 Sustainability Report no later than 31 May 2019 which will be uploaded at the Company's website at <http://www.panasian.com.sg/> as well as on SGXNET.

OUTLOOK

The Group's orders on hand carried forward as at 31 December 2018 stood at \$12.5 million.

We are optimistic with the market prospects in 2019 and over the next few years as there are mega projects to be executed over several years in Singapore such as the TUAS Water Reclamation Plant (Part of DTSS 2) (project period from 2017 to 2025), Changi Airport Terminal 5 Development, and Tuas Mega Port Development.

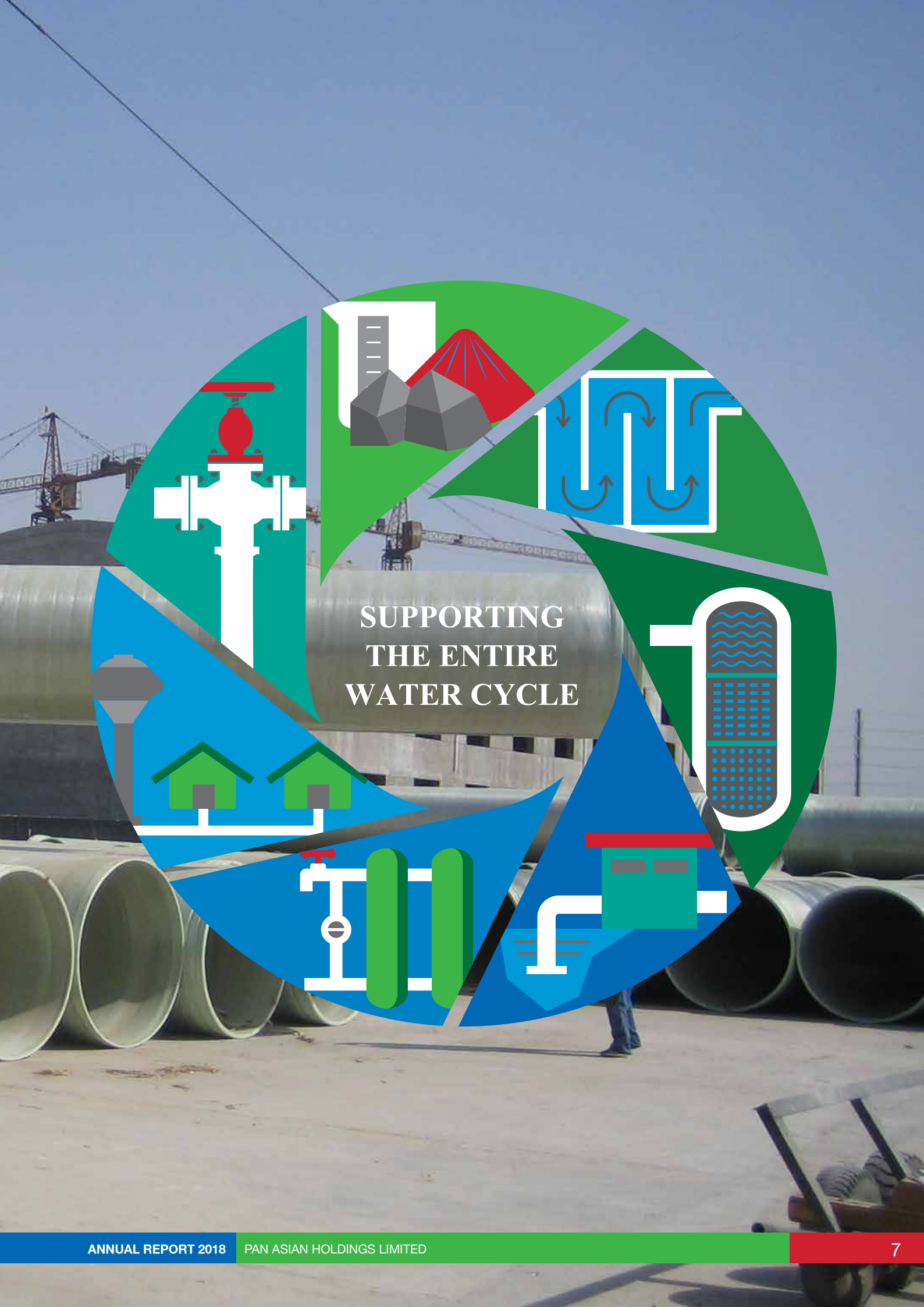
We will pursue to expand our sales activities in the region as there are opportunities in ASEAN with the rapid urbanisation in the region is driving the need for increased water supply to meet the basic needs of a growing urban populace. It is also leading to an increased need for solid and liquid waste management and treatment which the Group can provide their expertise in.

ACKNOWLEDGMENT

On behalf of the Board, I would like to extend my appreciation to our management and staff who have been most committed in contributing towards the Group's success.

I would also like to thank our suppliers, business partners and associates, and valued shareholders for their support and faith in the Group over the years even as we ride through the difficult periods. We are confident that the Group can emerge even stronger as we continue to forge on in our cause to create greater value for all our stakeholders.





SUPPORTING
THE ENTIRE
WATER CYCLE

BOARD OF DIRECTORS

RICHARD KOH CHYE HENG

Executive Chairman



Date of appointment: 26 May 2008

Date of last re-appointment: 28 April 2017

Appointed as the Executive Chairman since March 2009, Mr Koh is responsible for the overall management of the Group's operations, as well as the formulating and implementing the Group's business strategies. As the founder and managing director of the Company from 1980 to 1991, Mr Koh was its chairman from 1991 to 2004. He resigned as a managing director in 2004 to pursue other business interests. From 2004 to March 2009, Mr Koh developed and managed a valve manufacturing business in the PRC, Duvalco Valves (Wuxi) Co., Ltd, where he is the director.

KOH EDDIE

Managing Director & Chief Executive Officer

Date of appointment: 1 December 1989

Date of last re-appointment: 26 April 2018

Appointed as the Managing Director and Chief Executive Officer since May 2009, Mr Koh is responsible for the overall performance of the Group. Mr Koh has extensive experience in the Group's operations and products. Mr Koh joined the Group in 1991 as the Regional Sales Manager. Over the period of 20 years, Mr Koh has held various key positions in the Group and has been instrumental in its regional expansion. Mr Koh holds a Bachelor of Engineering from National University of Singapore.



THOMAS LAM KWONG FAI

Lead Independent Director

Date of appointment: 31 October 2017

Date of last re-appointment: 26 April 2018

Mr Lam is the CEO of 3 Peaks Capital Private Limited, a boutique corporate finance advisory firm providing Catalyst continuing sponsorship services, corporate governance advisory, financial advisory for equity and debt fund raising, financial advisory for corporate actions and independent financial advisory opinions. He started his career as a regulator before moving into investment banking with HL Bank and Genesis Capital Pte Ltd handling a variety of IPO and other corporate actions. He then moved into Catalyst regulation, working with a wide portfolio of listed companies, advising on the listing rules and corporate governance. In his various capacities, he has amassed over 10 years of experience in the Singapore corporate finance scene. Mr Lam obtained a Bachelor of Accountancy from Nanyang Technological University in 2002.

He is also an independent director of Medtecs International Corporation Limited, which is listed on the SGX-ST.



WU YU LIANG

Independent Non-Executive Director

Date of appointment: 20 March 2009

Date of last re-appointment: 28 April 2017

Admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986, Mr Wu is currently the Managing Director of Wu LLC, a law corporation in Singapore. He advises on corporate and commercial laws in addition to litigation work. Mr Wu graduated in 1985 from the National University of Singapore with a degree in Bachelor of Laws with Second Class Honours (Upper Division).

He is also an independent director of Jiutian Chemical Group Limited and AusGroup Limited, which are listed on the SGX-ST.



INDRIATI KHOE

Non-Executive Director

Date of appointment: 29 May 2009

Date of last re-appointment: 26 April 2018

Madam Khoe holds a Bachelor of Business (Finance & Economics) degree from Curtin University of Technology in Australia and has over 20 years of financial management experience in the region.





CORPORATE OFFICE

CHEW KHONG YUEN *Group Financial Controller*

Mr Chew was appointed to the position of Group Financial Controller on 5 December 2017. He is responsible for all financial, administrative and information technology matters for the Group. He has over 20 years of working experience in accounting and financial management in various public listed companies. Mr Chew holds a Bachelor of Commerce (Finance) from the Flinders University of South Australia and is a member of CPA Australia.

SINGAPORE OFFICE

KELLY KOH MEE LIN *Managing Director* Pan Asian Flow Technology Pte Ltd

Ms Koh is responsible for the promotion and sales activities of core products of the Company into new markets. She is also responsible for the Company's project sales in the local market. She graduated from Seattle University with a degree in International Business and had spent more than 10 years working in regional sales and marketing for two large corporations.

RAYMOND TAN KOK CHENG *General Manager (Products)*

Mr Tan is responsible for the Company's domestic sales of pipes, valves and fittings products focusing in the water and water-waste segments. He has developed a closed network of customers for the company over his more than 30 years of service. Holding a pre-university qualification, Mr Tan has over 30 years of experience in the industry.



MANAGEMENT TEAM

HONG KONG OFFICE

TAN WEI HONG

General Manager
MUHR Asia Pte Ltd
Engineering Manager
Pan Asian Flow Technology Pte Ltd

Mr Tan is responsible for MUHR Asia overall sales, marketing, technical, operation and business development primarily in Water & Wastewater, Hydropower, Power plant & Flood Control in East Asia. Mr Tan is also responsible for the setup of the subsidiary's factory in the region.

He is also Pan Asian Flow Technology Pte Ltd's Engineering Manager and is responsible for Engineering, Technical Support, Project Management and Business Development for PAFT.

Mr Tan holds a Bachelor in Engineering, Environmental (2nd Upper Honor) from Nanyang Technological University. He has almost 10 years of experience in the water industry holding Engineering and Project Management Position in Large Corporation and Multinational Company.

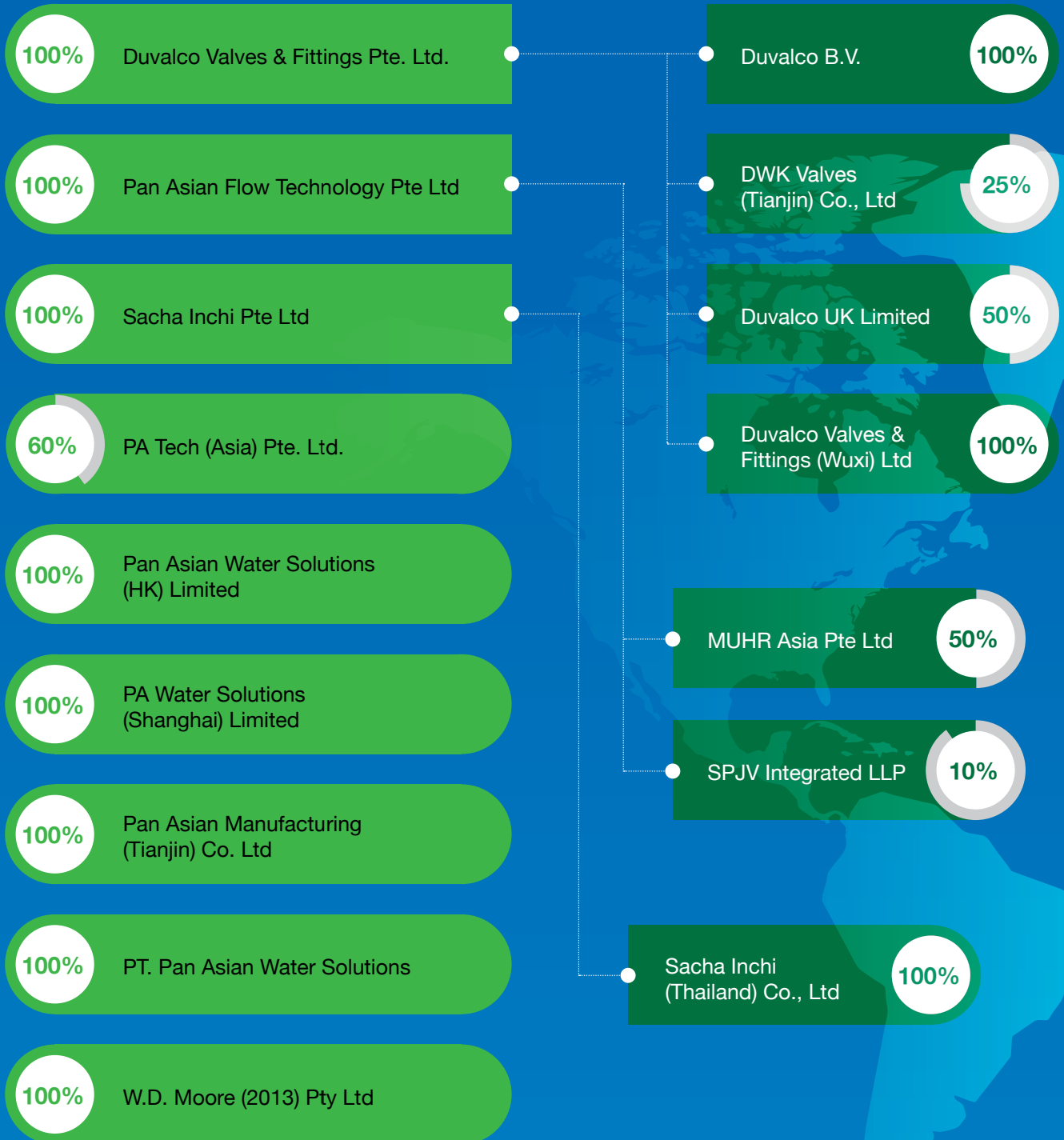
Harvey Kwan Koon Ho

General Manager
Pan Asian Water Solutions (HK) Limited

Mr Kwan is responsible for the subsidiary's overall sales, marketing and business developments, primarily in the marketing and promotions of our products and services to Hong Kong W.S.D., D.S.D, consultants and contractors. Mr Kwan's responsibilities include regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering. Mr Kwan holds a Diploma in mechanical engineering awarded by Seneca College, Toronto, Canada and has more than 15 years of experience in the industry.



Pan Asian Holdings Limited (Vietnam)
[Representative office]



GROUP STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Richard Koh Chye Heng Executive Chairman
Koh Eddie Managing Director cum Chief Executive Officer
Thomas Lam Kwong Fai Lead Independent Director
Wu Yu Liang Independent Director
Indriati Khoe Non-Executive Director

NOMINATING COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Indriati Khoe

REMUNERATION COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Indriati Khoe

AUDIT COMMITTEE

Thomas Lam Kwong Fai Chairman
Wu Yu Liang
Indriati Khoe

COMPANY SECRETARIES

Low Mei Wan
Lin Moi Heyang

REGISTERED OFFICE

2 Kallang Avenue
#05-19 CT Hub
Singapore 339407

SHARE REGISTRAR

B.A.C.S Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS

RSM Chio Lim LLP
Public Accountants and Chartered Accountants
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

AUDIT PARTNER

Teo Cheow Tong
(Effective from year ended 31 December 2015)

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
21 Collyer Quay
#04-01 HSBC Building
Singapore 049320

United Overseas Bank Limited
80 Raffles Place
#11-00 UOB Plaza 1
Singapore 048624

Bank of China Limited
4 Battery Road
Bank of China Building
Singapore 049908

OPERATIONS & FINANCIAL REVIEW



INCOME STATEMENT

REVENUE

The Group registered an increase in revenue of \$1.5 million or 6.1% to \$25.3 million for the financial year ended 31 December 2018 (“FY2018”).

This was mainly attributable to the increase in revenue contribution from China entities (\$1.3 million), Hong Kong entity (\$0.9 million), and Europe entity (\$1.0 million), offset by decrease in revenue contribution from Singapore entities (\$1.4 million), Vietnam (\$0.2 million) and other regions (\$0.1 million).

GROSS PROFIT

Gross profit decreased by \$1.1 million to \$6.2 million in FY2018 from \$7.3 million in FY2017. This was mainly attributable to absence of premium products sales of higher margin as the sales order was completed in 2017.

As a result, gross profit margin in FY2018 was lower at 25% compared to 31% in FY2017.

EXPENSES

Our marketing and distribution costs decreased by \$0.2 million or 5.2% from approximately \$3.4 million in FY2017 to approximately \$3.2 million in FY2018.

This was mainly attributable to lower sales incentive expenses of \$0.2 million as a result of low operational performance, offset by an increase in payroll of \$0.1 million.

Administrative expenses increased by \$0.9 million or 24.7% to \$4.3 million in FY2018 from \$3.4 million in FY2017, mainly attributable to increase in salaries expenses of \$0.5 million in the new subsidiary in China, Duvalco Valves and Fittings (Wuxi) Co. Ltd, as well as general increases in Hong Kong and Singapore.

SHARE OF (LOSS)/PROFIT FROM EQUITY-ACCOUNTED JOINT VENTURES AND ASSOCIATES

Share of profits from joint ventures and associates totalled \$0.08 million in FY2018, an improvement compared to a loss of \$0.04 million in FY2017.

INCOME TAX EXPENSE

Income tax expense decreased by \$0.22 million to \$0.15 million in FY2018 from \$0.37 million in FY2017. This was in line with overall loss before tax position in FY2018.

LOSS AFTER TAX

As a result of the above, the Group recorded a loss after tax of \$1.2 million in FY2018, compared to a profit net of tax of \$0.1 million in FY2017.

FINANCIAL POSITION

Total assets increased from \$24.6 million in FY2017 to \$28.7 million in FY2018.

Non-current assets increased by \$2.1 million from \$8.8 million as at 31 December 2017 to \$10.9 million as at 31 December 2018. This was mainly attributable to increase in property, plant and equipment of \$2.2 million, mainly attributable to plant construction in Tuas South in FY2018.

OPERATIONS & FINANCIAL REVIEW

Current assets increased by \$2 million from \$15.8 million as at 31 December 2017 to \$17.8 million as at 31 December 2018. The increase was mainly due to the following:

- (1) Increase in trade and other receivables of \$2.6 million due to longer collection period from two major customers;
- (2) Increase in other assets of \$0.4 million due to deposits paid to suppliers; offset by
- (3) Decrease in inventory of \$0.4 million due to lower level of general trading transactions;
- (4) Increase in income tax recoverable by \$0.2 million due to overprovision of profit estimation in a subsidiary for FY2018; and
- (5) Decrease in cash and cash equivalents by \$1.0 million.

Current liabilities increased by \$4.4 million from \$5.9 million as at 31 December 2017 to \$10.3 million as at 31 December 2018. This was mainly due to:

- (1) Increase in trade and other payables by approximately \$4.0 million, which includes the increase in other payables by approximately \$3.0 million for plant construction in Tuas South rental payment for an overseas subsidiary, and order deposits from customers by \$1.0 million;
- (2) Increase in other financial liabilities due to accrual amount by \$0.4 million in sales incentives and retention amount; and
- (3) Decrease in income tax payable by \$0.1 million to nil.

Non-current liabilities increased by \$0.9 million from \$1.9 million as at 31 December 2017 to \$2.8 million as at 31 December 2018, mainly attributable to term loan acquired for construction of new plant and office at Tuas South in FY2018.

STATEMENT OF CASH FLOW

Overall, the Group recorded a net decrease in cash and cash equivalents of \$1.0 million, from \$3.8 million as at 31 December 2017 to \$2.8 million as at 31 December 2018. This is mainly attributable to the cash flow from operating activities of \$1.0 million, and cash flow from financing activities of \$1.1 million, offset by the cash flow used in investing activities of \$2.9 million.

Operating activities recorded a net cash inflow of \$1.0 million mainly due to loss before tax of \$1.1 million, increase in trade and other payables of \$4.3 million due to longer payment period, offset by increase in trade and other receivables due to collection period of approximately of \$2.7 million.

Investing activities recorded a net cash outflow of \$2.9 million was mainly due to construction of plant in Tuas South which resulted in an increase in purchase of property, plant and equipment.

Financing activities recorded a net cash inflow of \$1.1 million mainly due to net increase in borrowings during the financial year of \$1.7 million, offset by repayment of bank borrowings, finance lease, and interest of an aggregate of approximately \$0.6 million.

SEGMENTAL PERFORMANCE

General Trading remained the Group's largest business segment. At \$14.0 million, it contributed 56% of the Group's revenue. However, this is lower comparing to the previous financial year of \$16.9 million, contributing to 71% of Group's revenue in FY2017.

The decrease in the General Trading segment is offset by increase in Engineering Solutions and Valves segment.

Engineering Solutions segment registered a higher revenue of \$2.4 million to \$5.4 million in FY2018, compared to \$3.0 million in previous financial year.

Valves segment registered a higher revenue of \$1.8 million to \$5.3 million in FY2018, compared to \$3.5 million in previous financial year.

Geographically, Hong Kong contributed the highest revenue to the Group with total sales of \$10.6 million, which worked out to be 42% of Group's revenue. The second largest contributor geographically is Singapore that contributed \$8.8 million to the Group's revenue, equivalent to 35% of the Group's revenue.

FINANCIAL CONTENT

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CORPORATE GOVERNANCE STATEMENT

The board of directors (the “**Board**” or “**Directors**”) and Management of Pan Asian Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) are committed to maintaining a high standard of corporate governance to facilitate effective management and safeguard the interests of the Company’s shareholders.

This Corporate Governance Report outlines the Company’s corporate governance processes and activities that were in place for the financial year ended 31 December 2018 (“**FY2018**”), with specific reference to the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the “**Code**”) and the disclosure guide (the “**Guide**”) developed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in January 2015.

The Company is generally in compliance with the principles and guidelines set out in the Code and the Guide. Where there are deviations from the Code and Guide, the Board has considered the alternative practices adopted are sufficient to meet the underlying objectives of the Code and Guide. Appropriate explanations have been provided in the relevant sections where there were deviations.

The Board noted that the Code of Corporate Governance issued on 6 August 2018 (“Code of Corporate Governance 2018”) applies to annual reports covering financial years commencing from 1 January 2019. Accordingly, the Company will describe its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018 for the annual report to be issued in 2020 and thereafter.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

As at date of this report, the Board comprises five Directors, two of whom are Independent Directors. The Board consists of:

Richard Koh Chye Heng	Executive Chairman
Koh Eddie	Managing Director cum Chief Executive Officer
Lam Kwong Fai	Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

Key information regarding the Directors is given in the section on “Board of Directors” of this annual report.

The Company is headed by its Board comprising entrepreneurs and professionals from various disciplines. All Directors recognise that they have to discharge their duties and responsibilities in the best interests of the Company. The Board’s principal responsibilities are, inter alia:

- (a) to guide the formulation of the Group’s overall long-term strategic objectives and directions. This includes setting the Group’s policies and strategic plans and monitoring the achievement of these corporate objectives;
- (b) to establish goals for management and monitor the achievement of these goals;
- (c) to ensure management leadership’s high quality, effectiveness and integrity; and
- (d) to review internal controls, risk management, financial performance and reporting compliance.

CORPORATE GOVERNANCE STATEMENT

The Board has delegated certain functions to its board committees, namely Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”), save for the following matters which are reserved for the Board’s decision:

- (a) the corporate strategy;
- (b) the making of any decision to cease, to operate all or any material part of the business of the Group or to extend the Group’s activities into new business;
- (c) the approval of any acquisition or disposal of any investment, asset or business by the Company or any of its subsidiaries;
- (d) the approval of any changes relating to the Company’s capital structure, including share issues and reduction of capital;
- (e) the approval of capital expenditures exceeding S\$100,000 for unbudgeted expenditures or S\$250,000 for budgeted expenditures;
- (f) the approval of capital borrowings and financial commitments;
- (g) the interested person transactions of the Group;
- (h) the approval of the Company’s financial results and audited financial statements;
- (i) the recommendation of the payment of any dividend by the Company;
- (j) the appointment or removal of director from the Board;
- (k) the appointment or removal of the Company Secretary;
- (l) the approval of remuneration packages of key executives of the Company recommended by the RC;
- (m) the convene of shareholders’ meetings; and
- (n) any matter required to be considered or approved by the Board as a matter of law or regulation.

The attendance record of the Directors at the FY2018 annual general meeting, Board and Committee meetings for FY2018 is as follows:

Name of Directors	Annual General Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
		No. of Meetings held: 3	No. of Meetings held: 3	No. of Meeting held: 1	No. of Meeting held: 1
No. of Meetings Attended					
Richard Koh Chye Heng	1	3	NA	NA	NA
Koh Eddie	1	3	NA	NA	NA
Lam Kwong Fai	1	3	3	1	1
Wu Yu Liang	1	3	3	1	1
Indriati Khoe	1	3	3	1	1

NA – Not applicable

CORPORATE GOVERNANCE STATEMENT

The Company's Constitution allows a Board meeting to be conducted by way of telephone or video conference. The Board conducts scheduled meetings at least three times a year and additional meetings will be convened as and when they are deemed necessary. At the meetings of the Board, all Directors are free to speak and openly challenge the views presented by Management and other Directors. The Board had also on various occasions used circular resolutions to sanction decisions.

All Board appointments are made based on merit, in the context of skills, experience, core competencies, independence and other relevant factors, having due regard for the benefits of diversity on the Board and the contribution that the selected candidates will bring to the Board.

All newly appointed directors are provided with background information about the Group's history and core values, its strategic direction and corporate governance practices, as well as industry specific knowledge. The Company provides a formal letter to newly appointed directors upon their appointment setting out their statutory duties and responsibilities as directors. If the newly-appointed Director has no prior experience as a director of a listed company, he must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST and such training is at the expense of the Company.

Board members are encouraged to attend seminars and trainings to enhance their knowledge for them to discharge their duties and responsibilities. Such training costs are borne by the Company. The Company works closely with sponsor, auditors, company secretary and other professionals to provide Directors with information relating to changes in relevant laws, listing rules, regulations and accounting standards.

During the year, Mr. Wu Yu Liang attended the following training programme:

Programme	Organised By
Code of Corporate Governance 2018 and consequential revisions to the Listing Rules	WongPartnership LLP

The external auditor of the Company has, during the presentation of the audit plan, provided relevant updates relating to changes to accounting standards and issues which have a direct impact on financial statements to the AC and other Board members.

Principle 2: Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Company endeavours to maintain a strong and independent element on the Board. The Board comprises two Executive Directors, two Independent Directors and one Non-Executive Director.

The criteria of independence are based on the definition given in the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**") and Code. The Independent Directors have confirmed that they and their immediate family members are not employed or have been employed by the Company or any of its related corporations for the current and any of the past three financial years. They have also confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group. As such, the NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code and Catalist Rules. The Independent Directors have also confirmed their independence in accordance with the Code and Catalist Rules.

CORPORATE GOVERNANCE STATEMENT

The independence of Directors is reviewed by the NC annually, in accordance with the Code's and Catalyst Rules' definition of independence. For FY2018, the NC has reviewed and is satisfied that the Independent Directors are independent and further, that no individual or small group of individuals dominate the Board's decision-making process.

There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/her not to be independent.

In accordance with the Code, where there is such director serving as an independent director for more than nine years, the board will do a rigorous review of his continuing contribution and independence. Mr. Wu Yu Liang, who was appointed as director of the Company on 20 March 2009, has served on the Board as Independent Director for more than nine years. The NC, after review, considered that notwithstanding that Mr. Wu has served the Board for more than nine years, his independence as a Director is not affected as he continues to exercise independent judgement and demonstrate objectivity in his conduct and deliberations at the Board and Board Committee meetings. By diligently discharging his duties and exercising sound independent business judgement, he has exhibited a strong spirit of professionalism which did not diminish with time. The Board concurred with the NC that Mr. Wu continues to be regarded as independent, notwithstanding having served more than 9 years and his independence status is subject to annual review by the NC. Mr. Wu has abstained from the NC's and Board's determination of his independence.

The Board recognises that Independent Directors may over time develop significant insights into the Group's business and operations as well as can continue to objectively provide significant and valuable contribution to the Board as a whole.

Guideline 2.1 of the Code is met as more than one-third of the Board is independent. The Board acknowledges that under Guideline 2.2 of the Code, the independent directors should make up at least half of the Board when the Chairman and the Chief Executive Officer are immediate family members as well as when the Chairman is part of the management team and not independent.

During the year under review, the Board assessed the need of restructuring the Board to comply with Guideline 2.2 of the Code, i.e. either appointing an independent chairman or additional independent director. The Board, after review, is of the opinion that, notwithstanding that the current Independent Directors do not make up at least half of the Board, its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations, with an objective of achieving a good mix and diversity of skills, experience and gender. The Board is also of the view that there is strong independent element in the Board and no individual dominates the Board's decision making. Given the current loss making financial position of the Group and that the current independent members of the Board have performed its duties strongly and independently, the Board has deferred the decision to review the Board composition at the next financial year.

The core competencies and gender of the Board members are set out below:

	<u>Number of Directors</u>	<u>Proportion of Board</u>
Core Competencies		
Accounting or finance	2	40%
Legal or corporate governance	1	20%
Relevant industry knowledge or experience	3	60%
Strategic planning experience	3	60%
Customer based experience or knowledge	5	100%
Gender		
Male	4	80%
Female	1	20%

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The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The NC conducts annual review to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board. This will enable the Board to maintain or enhance balance and diversity of the Board. As shown in the table above, the Board members provide a range of core competencies that would provide effective directive for the Group. Accordingly, the current Board comprises persons that collectively have core competencies necessary to lead and oversee the Company.

The Independent Directors provide, amongst others, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. The Independent Directors also help to review the performance of the Management in meeting goals and objectives and monitor the reporting of performance.

To facilitate a more effective check on the Management, the Non-Executive Directors will arrange for meetings without the presence of the Management as and when required. The Non-Executive Directors have met once in the absence of the Management for the financial year in review.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman and Chief Executive Officer of the Company are undertaken by separate persons to create a clear division of responsibilities.

Mr. Richard Koh Chye Heng, founder and Executive Chairman of the Company, is to develop the business, formulate and implement the business strategies of the Group. Guided by the Chairmen of the respective committees, Group Financial Controller and the Company Secretary, the Executive Chairman is responsible to:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the directors receive complete, adequate and timely information;
- (e) ensure effective communication with its shareholders;
- (f) encourage constructive relations within the Board and between the Board and Management;
- (g) facilitate effective contribution of non-executive directors in particular; and
- (h) promote high standards of corporate governance and assist in ensuring compliance of the Company's guidelines on corporate governance.

Mr. Koh Eddie, Managing Director cum Chief Executive Officer of the Company, the son of Mr. Richard Koh, is responsible for the day-to-day management and operations of the Group.

CORPORATE GOVERNANCE STATEMENT

Notwithstanding the familial relationship, the Board is of the opinion that there is no concentration of power as the Group is managed objectively on a transparent basis and taking into account the current corporate structure and the scope of the Group's operations, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of influence.

Mr. Lam Kwong Fai has been appointed as the Lead Independent Director of the Company and he is available to shareholders should they have concerns which cannot be resolved through the normal channels of the Chairman, Chief Executive Officer or the Group Financial Controller or for which such contact is inappropriate. The Lead Independent Director is responsible for leading the meetings of Independent Directors without presence of the other Directors, as and when required. Feedback will be given to the Chairman after such meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

All the NC members are Non-Executive Directors, two out of three of whom, including the Chairman of the NC, are independent directors. The NC members are:

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Indriati Khoe	Non-Executive Director

The NC is established for, *inter alia*, the purposes of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

The terms of reference of the NC includes:

- (a) to determine the criteria for the appointment of new directors;
- (b) to set up a process for the selection of such appointment;
- (c) to review nominations for the appointment of Directors to the Board;
- (d) to make recommendations to the Board on all board appointments;
- (e) to review and recommend the Board on the re-nomination of incumbent Directors having regard to the Director's contribution and performance;
- (f) to determine annually whether or not a Director is independent;
- (g) to make recommendation to the Board the performance criteria and appraisal process to be used for the evaluation of the effectiveness of the Board as a whole, which criteria and process shall be subject to Board's approval;
- (h) to review the board succession plans for directors, in particular, the Chairman and the Chief Executive officer; and
- (i) to review of training and professional development programs for the Board.

CORPORATE GOVERNANCE STATEMENT

There are two Directors who have other listed company board representations. The NC is of the view that despite some of the Directors having multiple board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. As time requirement of each director is subjective, the NC has decided not to fix a maximum limit on the number of directorship a director can hold. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates. The NC would review the board performance of each Director, from time to time to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into accounts the multiple directorships and other principal commitments of each of the Directors, and is satisfied that all Directors have discharged their duties adequately for FY2018.

The process for the shortlisting, selection and appointment of new directors is spearheaded by the NC. The NC would first consider the needs of the Board before considering the selection of candidates. In the selection and nomination of new directors, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. External help (for example, Singapore Institute of Directors, search consultants) could be used to source for potential candidates. Interviews are set up with potential candidates so that the NC is able to assess each prospective candidate before a decision is made for recommendation to the Board for final approval.

The Constitution of the Company states that one-third of the Directors have to retire and subject themselves for re-election by the shareholders at each annual general meeting of the Company. In addition, each Director of the Company shall retire from office and subject themselves for re-nomination and re-appointment at least once every three years.

The NC makes recommendations to the Board on the appointment, re-nomination and retirement of Directors. When an existing Director chooses to retire or is required to retire from office by rotation, the NC takes factors such as attendance, preparedness, participation and candour into consideration when evaluating the past performance and contributions of a Director when making its recommendation to the Board.

Mr. Richard Koh and Mr. Wu are subject to retirement at the forthcoming annual general meeting pursuant to the provisions of the Constitution of the Company.

Pursuant to Rule 720(5) of the Catalist Rule of the SGX-ST, the information relating to the retiring Directors as set out in the Appendix 7F of the Catalist Rules of the SGX-ST is disclosed below:

	MR. RICHARD KOH CHYE HENG	MR. WU YU LIANG
Date of Appointment	26 May 2008	20 March 2009
Date of last re-appointment	28 April 2017	28 April 2017
Age	72	59
Country of principal residence	Singapore	Singapore

CORPORATE GOVERNANCE STATEMENT

	MR. RICHARD KOH CHYE HENG	MR. WU YU LIANG
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the contribution, performance, attendance, preparedness, participation and suitability of Mr. Richard Koh for re-election as the Director of the Company and concluded that Mr. Richard Koh possess the experience, expertise knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, working experiences, contribution, performance, attendance, preparedness, participation, candour and suitability of Mr. Wu for re-election as an Independent Director of the Company and concluded that Mr Wu possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. The Board considers Mr. Wu to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Richard Koh is responsible for the overall management of the Group's operations, as well as the formulating and implementing the Group's business strategies.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Independent and Non-Executive Director, Chairman of the RC and NC and a member of AC.
Professional qualifications	N.A.	Admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986. Mr Wu graduated in 1985 from the National University of Singapore with a degree in Bachelor of Law with Second Class Honours (Upper Division).

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	MR. RICHARD KOH CHYE HENG	MR. WU YU LIANG
Working experience and occupation(s) during the past 10 years	<p>2009-Present , Executive Chairman, Pan Asian Holdings Limited</p> <p>2004-2009, Executive Director, Duvalco Valves (Wuxi) Co., Ltd</p>	<p>2006 - Present, Independent Director, Jiutian Chemical Group Limited</p> <p>2007 – 2013 Independent Director, See Hup Seng Limited</p> <p>2014-Present, Independent Director, AusGroup Limited</p> <p>2012-2015, Independent Director, China Environment Ltd.</p> <p>2007-Present, Managing Director, Wu LLC.</p>
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 165,137,500	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<p>1) Father of Mr. Koh Eddie, Managing Director cum Chief Executive Officer and Substantial Shareholder of the Company.</p> <p>2) Father-in-law of Ms. Indriati Khoe, Non-Executive Director and Substantial Shareholder of the Company.</p> <p>3) Father of Ms. Kelly Koh, Managing Director of Pan Asian Flow Technology Pte. Ltd., the wholly-owned subsidiary of the Company.</p>	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7F) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships#	Past: None	Past: China Environment Ltd. (Director)
Past (for the last 5 years)	Present: Xu Jia Zu Holdings Pte. Ltd.	Present: Jiutian Chemical Group Limited (Director)
Present	Duvalco International Pte. Ltd.	AusGroup Limited (Director) Wu LLC (Director)

CORPORATE GOVERNANCE STATEMENT

	MR. RICHARD KOH CHYE HENG	MR. WU YU LIANG
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

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	MR. RICHARD KOH CHYE HENG	MR. WU YU LIANG
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	No	No
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		

CORPORATE GOVERNANCE STATEMENT

	MR. RICHARD KOH CHYE HENG	MR. WU YU LIANG
Any prior experience as a director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience.		
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.		
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).		

Accordingly, the NC has assessed and recommended to the Board, and the Board has endorsed the re-election of Mr. Richard Koh and Mr. Wu, who have offered themselves for re-election as Directors of the Company by Shareholders at the forthcoming annual general meeting.

Mr. Wu will, upon re-election as Director of the Company, remain as Chairman of the NC and RC and a member of the AC. The Board considers Mr. Wu to be independent for the purpose of Rule 704(7) of the Catalist Rules. Save as disclosed herein, Mr. Wu does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code).

Mr. Richard Koh will, upon re-election as Director of the Company, remain as Executive Chairman of the Company.

The key information of the Directors as at the date of this report is set out below:

Name of Directors	Date of Initial Appointment as Director/ Date of Last Re-election / Re-appointment as Director	Directorship in Other Listed Companies		Principal Commitments
		Current	Past 3 Years	
Richard Koh Chye Heng (Executive Chairman)	26 May 2008 / 28 April 2017	–	–	Executive Chairman of the Company
Koh Eddie (Managing Director cum Chief Executive Officer)	1 December 1989 / 26 April 2018	–	–	Managing Director cum Chief Executive Officer of the Company
Lam Kwong Fai (Lead Independent Director)	31 October 2017 / 26 April 2018	Medtecs International Corporation Limited	–	3 Peaks Capital Private Limited Zenith Distribution LLP
Wu Yu Liang (Independent Director)	20 March 2009 / 28 April 2017	Jiutian Chemical Group Limited AusGroup Limited	China Environment Ltd	Wu LLC Offshore Nexus Management & Secretarial Services Pte Ltd StartUp Consultants Ltd. Sunrise Attribution Sdn. Bhd.
Indriati Khoe (Non-Executive Director)	29 May 2009 / 26 April 2018	–	–	Children's Vineyard Preschool Pte. Ltd. Wankai Management Pte Ltd

Currently, no alternate director has been appointed in respect of any of Directors.

Ms. Indriati Khoe is the spouse of Mr. Koh Eddie, the Managing Director cum Chief Executive Officer of the Company and a substantial shareholder of the Company.

CORPORATE GOVERNANCE STATEMENT

Save for those disclosed in this corporate governance report, none of other Directors have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders, could interfere or to be reasonably perceived to interfere with the exercise of independent judgments.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board (including Board Committees) on a yearly basis with inputs from the other Board members and the Chairman.

The NC also decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders value. It focuses on a set of criteria which include Board's conduct of meetings, maintenance of independence, board accountability, communication with Management, etc. The performance criteria are not changed year to year except when deemed necessary and justifiable. For FY2018, the NC did not propose any changes to the performance criteria for FY2018 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities largely remained the same. Where the performance criteria are deemed necessary to be changed, the onus should be on the NC and the Board to justify this decision.

During the year, the NC has assessed the effectiveness of the Board, Board Committee and individual Directors. As part of the process, all Directors complete appraisal forms which are collated by the Company Secretary. The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, proposes its recommendations to the Board.

The NC has reviewed and is satisfied that each member of the Board had been effective during the year having regard to the preparedness, active participation and contribution of each Board member during each Board and Committee meeting. The Board has met its performance objectives. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.

Principle 6: Access to Information

In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The type and frequency of the provision of information by key management personnel to the Company's Non-Executive Directors to enable them to understand the business and financial environment as well as the risks faced by the Company are as follows:

	Information	Frequency
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Prior to Board Meetings
2.	Updates to the Group's operations and the markets in which the Group operates in	As and when necessary
3.	Management accounts	Three times a year
4.	Budgets	Yearly
5.	Reports on on-going or planned corporate actions	As and when necessary
6.	Enterprise risk framework and internal auditors' report(s)	Half yearly

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The Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least three working days prior to the meetings to allow sufficient time for the Directors' review.

The Non-Executive Directors are always available to provide guidance to Management on business issues and in areas which they specialise in. The Directors also have direct access to Management and Company Secretary.

The Directors may communicate directly with Management and Company Secretary on all matters whenever they deem necessary, to ensure adherence to the Board procedures and relevant rules and regulations which are applicable to the Company.

Directors may, on a case-to-case basis, propose to the Board for independent and professional advice, at the Company's expense, where required.

The Company Secretary assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. She attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among others, ensuring that Board procedures are observed and that the Companies Act is complied with. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Principle 8: Level of Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) Key Management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

The RC comprises the following members:

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Indriati Khoe	Non-Executive Director

All RC members are Non-Executive Directors, two out of three of whom, including the Chairman the RC, are Independent Directors. The RC has experience in the field of executive compensation. The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

The RC is established for, inter alia, the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Director. The overriding principle is that no Director should be involved in deciding his own remuneration. The RC has adopted written terms of reference that defines its membership, roles and functions and administration.

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The terms of reference of the RC includes:

- (a) to advise the Board on the framework of remuneration policies for the Directors and key executives;
- (b) to review and recommend to the Board in consultation with senior Management a framework of remuneration for Executive Directors, Managing Director cum Chief Executive Officer and key executives;
- (c) to review the remuneration packages of all managerial staff, if any, that are related to any of the Executive Directors or Chief Executive Officer; and
- (d) to recommend to the Board in consultation with the Managing Director cum Chief Executive Officer, the key executives' and other employees' incentive schemes.

The annual review covers all aspects of remuneration including salaries, fees, allowances, bonuses, options and benefits-in-kind, taking into consideration the long-term interests of the Group. In setting remuneration packages, the RC will take into account the performance of the Group as well as the Executive Directors and key executives aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The RC's recommendations are made in consultation with the Executive Chairman of the Board and submitted for endorsement by the entire Board. No Director shall participate in decisions on his/her own remuneration. The payment of Directors' fees is subject to the approval of Shareholders.

Remuneration matters of the Directors, Executive Chairman and the Managing Director cum Chief Executive Officer are the responsibility of the RC who will review and make necessary recommendations to the Board for approval. In respect of remuneration matters relating to senior Management group, the Managing Director cum Chief Executive Officer will make recommendations for the RC's consideration and review. The RC's role also includes the review of Executive Directors and key executives' contracts during termination, to ensure that such contracts of services contain for and reasonable termination clauses.

There was no remuneration consultant engaged for the financial year in review.

The remuneration of the Non-Executive Directors is in the form of a fixed fee which is fixed after taking into consideration factors such as effort, time spent and responsibilities of the Directors. Non-Executive Directors' fees are subject to Shareholders' approval at the annual general meeting.

Annual reviews are carried out by the RC to ensure that key executives are appropriately rewarded, having due regard to the financial and commercial health and business needs of the Group.

The Company does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key executives in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key executives, "claw-back" provisions in the service agreements may not be relevant or appropriate.

Principle 9: Disclosure on Remuneration

Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and Key Management personnel, and performance.

The Group adopts a remuneration policy for staff comprising both fixed and variable components. The fixed component is in the form of a base salary and the variable component is in the form of a variable bonus that is linked to the Company's and individual's performance. Certain employees are also entitled to other benefits. The Management moderates and allocates the variable bonus based on the individual performance of employees and their contributions towards the achievement of the Company's performance.

CORPORATE GOVERNANCE STATEMENT

The remuneration package of Executive Directors and key executives consists of:

- (1) Fixed salary / Director's Fee - Fixed salary is determined based on the complexity of the required responsibilities and tasks, along with data on market and sector comparatives.
- (2) Bonus and Incentives - Variable salaries which comprise sales incentives (as applicable) and variable bonus.
- (3) Other Benefits - Other benefits comprise of transport allowances, country club memberships, and benefits-in-kind.

The Non-Executive and Independent Directors are entitled to Director's fees. The level of fees is reviewed for reasonableness, taking into account the size of the Company and the additional duties and responsibilities of the Directors.

The breakdown of remuneration of the Directors and key executives of the Group (in percentage terms) for FY2018 is set out below:

Name	Fixed Salary ⁽¹⁾	Fees	Bonus and Incentives
Remuneration Band from S\$250,001 to S\$500,000			
<u>Executive Directors</u>			
Koh Eddie	89%	4%	7%
Richard Koh Chye Heng	85%	8%	7%
<u>Key Executive</u>			
Harvey Kwan Koon Ho	22%	-	78%
Remuneration Band up to S\$250,000			
<u>Key Executive who is a family member of the Executive Directors</u>			
Kelly Koh Mee Lin ⁽¹⁾	87%	5%	8%
<u>Independent Directors</u>			
Lam Kwong Fai	-	100%	-
Wu Yu Liang	-	100%	-
<u>Non-Executive Director</u>			
Indriati Khoe	-	100%	-
<u>Key Executive</u>			
Chew Khong Yuen	100%	-	-

Note:

- (1) Ms. Kelly Koh Mee Lin is daughter to Mr. Richard Koh Chye Heng, and sister to Mr. Koh Eddie. Other than Ms. Kelly Koh Mee Lin, there is no other employee who is immediate family member of the Directors and whose remuneration exceeds S\$50,000 during the year.

The Group only had three key executives during FY2018.

The performance conditions used to determine the entitlement of the Executive Directors and top 3 key executives comprise of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions set by the RC are on the job performance, leadership, teamwork, etc. The performance conditions are set by the RC. The RC has reviewed and is satisfied that the performance conditions of the Directors and key executives were met for FY2018.

For FY2018, there were no termination, retirement or post-employment benefits granted to the Directors, the Managing Director cum Chief Executive Officer and relevant key executives.

CORPORATE GOVERNANCE STATEMENT

Given the highly competitive industry conditions, the Company believes that it is not in the best interests of the Company to fully disclose details of the remuneration of each individual Director and the aggregate remuneration paid to the key executives of the Group and the remuneration of employee related to a director or chief executive officer in the bands of S\$50,000.

The Company does not have an employee share option scheme for the financial year in review.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

In presenting the annual financial statements and announcements of financial results to the Shareholders, the Board has a responsibility to present a fair assessment of the Group's financial performance and position including the prospects of the Group. The Board is mindful of the obligation to provide timely and fair disclosure of material information and price sensitive information. The Board is accountable to the Shareholders while the Management is accountable to the Board.

The Management provides all members of the Board with a quarterly management report. The Board members review the quarterly management report and meet to approve the Group's half-yearly and full year financial results. All Board papers are given to the Board members prior to any Board meeting to facilitate effective discussion and decision making.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets and to manage risks. The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

Based on the internal controls established by the Group, its assessment of work performed by the external auditor and internal auditor, as well as the Assurances (as defined herein), the Board, with the concurrence of the AC, is of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risks and the risk management systems are effective and adequate as at 31 December 2018.

The system provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices and the identification and management of business risks.

The Board has received assurance from the Managing Director cum Chief Executive Officer and Group Financial Controller that the financial records for FY2018 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems were adequate and effective as at 31 December 2018. The Company has also received assurance from the internal auditors that the Company's risk management and internal control systems are effective (the "Assurances").

CORPORATE GOVERNANCE STATEMENT

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three members, all of whom are Non-Executive and the majority of whom, including AC Chairman, are independent. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The members of the AC are:

Lam Kwong Fai	Chairman and Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

The role of the AC is to, *inter alia*, assist the Board in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls. The Board is of the opinion that the members of the AC have sufficient accounting and financial management expertise and experience in discharging their duties and responsibilities.

The Company complies with Rules 712 and 715 of the Catalist Rules.

The functions and responsibilities of the AC include the following:

- (a) to review effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews and evaluation carried out by the internal auditor and external auditor and the assistance given to them by the Company's Management;
- (b) to review the financial statements of the Company and the half-yearly and full year financial results and the respective results announcements before submission to the Board;
- (c) to review significant financial reporting issues and judgments having regard to the requirements of the Catalist Rules;
- (d) to review and approve interested person transactions;
- (e) to assess the performance and cost-effectiveness of the internal and external independent auditors, approve their remuneration, and recommend to the Board their re-appointment;
- (f) to review the independence and objectivity of the external auditor annually;
- (g) to review the nature and extent of non-audit services provided by the external auditor;
- (h) to meet 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; and
- (i) to review the audit plan of the internal auditor and external auditor of the Company.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director or Executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly. The Board considers Mr. Lam Kwong Fai, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Ms. Indriati Khoe of the AC is also trained in financial management.

CORPORATE GOVERNANCE STATEMENT

The AC meets with the external auditor and internal auditor separately, at least once a year, without the presence of Management.

The AC also reviews all non-audit services provided by the external auditor to ensure that the provision of these services does not affect the independence of the auditors. For FY2018, RSM Chio Lim LLP (“**RSM**”) provided tax compliance services to the Company other than audit services. The amount of fees paid to auditors, RSM, in respect of audit and non-audit services for the year under review are S\$134,000 and S\$12,500, respectively. The AC has reviewed the non-audit services provided by RSM Chio Lim and is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditor and accordingly, has recommended the re-appointment of RSM as auditors of the Company at the forthcoming AGM.

The Company has put into place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The Company is evaluating the extension of the framework to include certain members of the public. The AC, upon receipt of complaints or allegations from any employee, determines if an investigation is necessary. If an investigation should be carried out, it will direct an independent investigation to be conducted on the complaint received. The AC and the Board will receive a report on that complaint and findings of investigation as well as a follow-up report on actions taken.

The AC is kept abreast by the Management and the external auditor of changes to accounting standards, Catalyst Rules and other regulations which could have an impact on the Group’s business and financial statements.

The Company has not put in place a Risk Management Committee. However, the Management regularly reviews the Company’s business and operational activities to identify areas of significant business risks as well as appropriate measure to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and AC.

The AC has deliberated the key audit matters identified by the external auditor, i.e. impairment allowances on land use rights, trade receivables and inventories. Full details of the key audit matters for FY2018 are provided in the Statement by Directors of the Annual Report.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC is responsible for the appointment and assessment of the performance of the internal auditor. The Group has appointed Nexia TS Risk Advisory Pte. Ltd. as its internal auditor to assist the AC to assess and evaluate that the Company maintains a robust and effective system of internal controls by regular monitoring of key controls, conducting audits of high risk areas and undertaking investigations as directed by the AC.

The internal auditor’s primary line of reporting is to the Chairman of the AC. On an annual basis, the internal auditor prepares and executes a risk-based audit plan, so as to review the adequacy and effectiveness of the system of internal controls of the Group. Key audit findings are presented to the AC and the results of the findings are also shared with the external auditor. In addition, the AC meets with the internal auditor separately, at least once a year, without the presence of Management.

The AC is satisfied that the internal auditor is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

The AC is of the opinion that the internal audit function is independent, effective and adequately resourced.

CORPORATE GOVERNANCE STATEMENT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavours to communicate regularly, effectively and fairly with its shareholders. In line with the continuous disclosure obligations under the relevant rules, the Board ensures that Shareholders are promptly informed of all major developments that may have a material impact on the Group in a timely manner. Information is released to Shareholders and investors on a timely basis, through SGXNET as well as the Company's corporate website (<http://www.panasian.com.sg>).

Apart from the SGXNET announcements and its annual report, the Company may release press releases or organise media/analyst briefings to keep shareholders informed of corporate developments.

The Company does not have a dedicated investor relations team. Mr. Chew Khong Yuen, the Group Financial Controller is responsible for the Company's communication with the Shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function and put in place an investor relations policy when the need arises.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, financial position, results of operations, capital needs, plans for expansion and other factors which our Directors may deem appropriate. The Board would consider establishing a dividend policy at the appropriate time.

The Board did not declare or recommend any dividend for FY2018 as the Board wants to ensure that there are adequate resources for the Company's expansion plans and to respond to any adverse changes in the macroeconomic environment.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of Shareholders, and allow Shareholders the opportunity to communicate their views on various matters affecting the company.

The annual general meeting is the principal forum for dialogue with Shareholders. There is an open question and answer session at which Shareholders may raise questions or share their views regarding the proposed resolutions and the Company's businesses and affairs.

The Chairman and members of the Board, the Chairman of all Board Committees and the Company's external auditor will be present at the annual general meeting of the Company to address any queries from Shareholders. All minutes of general meetings are available to Shareholders upon their request.

CORPORATE GOVERNANCE STATEMENT

At the annual general meeting held in 2018, all resolutions were put for vote by poll. The voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.

The Company's Constitution allows a member of the Company who is not a relevant intermediary to appoint not more than two proxies to attend and vote at general meetings. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at general meetings. For the time being, the Board is of the view that two proxies for each non-intermediary member is adequate to enable Shareholders to participate in general meetings of the Company and is not proposing to amend the Constitution to allow votes in absentia. All Shareholders have the opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings. "Bundling" of resolutions are kept to a minimum and done only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. All significant control policies and procedures are reviewed by Management and all significant matters are tabled to the AC and Board for review and deliberation.

DEALINGS IN SECURITIES

The Company has set out guidelines to the Directors, officers and staff of the Group in relation to dealings in the Company's securities. These guidelines prohibit the Company, its Directors, its officers and staff from dealing in the listed securities of the Group while in possession of material or price sensitive information and during the period one month before the announcement of the Company's half-year and full-year financial results and ending on the date of announcement of the relevant financial results. The Company, its Directors and officers are also advised not to deal in the Company's securities on short-term considerations.

The Company, Directors and officers of the Company are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

All Directors are also provided with proper guidance on disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

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CORPORATE GOVERNANCE STATEMENT

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval. The AC has reviewed the interested person transactions for FY2018 conducted in accordance with Chapter 9 of the Catalist Rules and is satisfied that the transactions were on normal commercial terms.

The aggregate value of interested person transactions entered into during FY2018 pursuant to Rule 920 of the Catalist Rules is as follows:

Name of Interested Persons and Details of Transactions	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	S\$'000	S\$'000
Payments made by the Group to:		
(A) Duvalco International Pte. Ltd. (" Duvalco International ")		
5% of gross sale of Duvalco Brand of products	35	-
(B) Duvalco Valves (Wuxi) Co., Ltd. (" DVW ")		
The Group purchased valves, accessories and other products from DVW.	204.1	-
Rental of manufacturing equipment by Duvalco Valves & Fittings (Wuxi) Co. Ltd. (" DVFW ") from DVW.	137.9 ⁽¹⁾	-
Purchases of raw materials stocks by DVFW from DVW.	358.5	-
Cost reimbursement for employment of DVW staffs by DVFW, in relation to the Set Up as disclosed in the announcement dated 12 April 2018.	62.4	-
Rental of manufacturing premises by DVFW from DVW.	228.5 ⁽²⁾	-
Total	1,026.4	-

Notes:

- The Company had entered into a contract with DVW for the rental of manufacturing equipment for a year, commencing 1 April 2018 for S\$160,000. The contract value includes a China's Value Added Tax of 16% ("VAT") which was absorbed by DVW in December 2018. The absorption of VAT resulted the net contract value to be S\$137,900. The contract value of S\$120,000 for the rental of machineries and equipment from Duvalco Wuxi as disclosed in the announcement dated 12 April 2018 was derived from a pro-rata computation of the contract sum of S\$160,000 (including 16% VAT) for the nine-month period from April 2018 to December 2018. The Company wishes to clarify that the entire contract value of S\$137,500 (net of VAT absorbed) should have been disclosed and recognised as the value at risk, instead of S\$120,000 which was computed on a pro-rata basis.
- The Company had on 1 April 2018 entered into an agreement with DVW for the rental of manufacturing premises for a year from the date of the agreement ("**Tenancy Agreement**") and the terms of the Tenancy Agreement was based on a willing-buyer willing-seller basis and supported by an independent valuation report dated 15 January 2018 by 无锡浩格工业地产质询有限公司. In view of the foregoing, the Tenancy Agreement falls under the exemption as set out under Rule 916(1) of Catalist Rules.

CORPORATE GOVERNANCE STATEMENT

Save as disclosed above, there was no other interested party transaction that is S\$100,000 and above for FY2018. The Company does not have an existing general mandate pursuant to Rule 920 of the Catalist Rules. The Company will comply with provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules or the Companies Act, seek shareholders' approval or a general mandate (where necessary) for such transactions. The AC will also review all interested person transactions to ensure that the Catalist Rules are complied with.

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiary companies involving the interests of the Executive Chairman, Managing Director cum Chief Executive Officer, other Director or controlling shareholder of the Company, either still subsisting at the end of FY2018 or entered into since the end of the previous financial year.

CATALIST SPONSOR

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2018.

STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the financial statements of the Company and of the Group for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Richard Koh Chye Heng
Koh Eddie
Lam Kwong Fai
Wu Yu Liang
Indriati Khoe

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year had no interest in shares or in debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

Name of directors and companies in which interests are held	Deemed interest	
	At beginning of the reporting year	At end of the reporting year
In the Company	Number of shares of no par value	
Richard Koh Chye Heng	165,137,500	165,137,500
Koh Eddie	165,137,500	165,137,500
Indriati Khoe	165,137,500	165,137,500

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures (cont'd)

Name of directors and companies in which interests are held	Direct interest	
	At beginning of the reporting year	At end of the reporting year
In the parent Company – Xu Jia Zu Holdings Pte. Ltd.	Number of shares of no par value	
Richard Koh Chye Heng	750,050	750,050
	1 ^(a)	1 ^(a)
Koh Eddie	750,052	750,052

By virtue of section 7 of the Act, Richard Koh Chye Heng, Koh Eddie and Indriati Khoe are deemed to have an interest in the Company and in all the related body corporates of the Company.

(a) Richard Koh Chye Heng holds one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s Constitution, he has or is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

The directors' interest as at 21 January 2019 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

STATEMENT BY DIRECTORS

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of Audit Committee

The members of the Audit Committee at the date of this statement are as follows:

Lam Kwong Fai	(Independent director and Chairman of Audit Committee)
Wu Yu Liang	(Independent director)
Indriati Khoe	(Non-executive director)

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

8. Directors' opinion on the adequacy of the internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal auditor and independent external auditor, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

STATEMENT BY DIRECTORS

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 1 March 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

Richard Koh Chye Heng
Director

Koh Eddie
Director

4 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Report on audit of the financial statements

Opinion

We have audited the accompanying financial statements of Pan Asian Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including the significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis of 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 Company 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 reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Net realisable value of land use rights

We draw attention to Note 27 to the financial statements which describe the uncertainties related to the Group’s Land Use Rights (“LURs”) in Tianjin Ecocity, People’s Republic of China. The carrying amount represents management’s realistic estimate of realisable value determined by the management on the basis that the Group is able to withdraw subsequently from the agreement through the transfer of the LURs to a third party approved by the relevant authority (Note 17). Future outcome is uncertain and adjustments may be required in the future to increase or reduce the carrying value.

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 17 on land use rights.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Key audit matters (cont'd)

Net realisable value of land use rights (cont'd)

The land use rights are for a piece of land situated in Tianjin Ecocity, People's Republic of China. We focused on this transaction because of the significant management judgement and assumption used in the assessment of the recoverable amount. We compared the indicative prevailing market value of LURs of similar sizes in comparable zone areas and satisfied ourselves that it is not lower than the carrying value. We also focused on the adequacy of the Group's disclosures about those assumptions on the determination of the recoverable amount of the land use rights.

Due to the uncertainties to the future outcome and the possibility of adjustments to increase or reduce the carrying value in the future, the matter is brought to the attention of the members.

Net realisable value of inventories

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 19 on inventories.

The cost of inventories may not be recoverable in full if those inventories are damaged, or if they become obsolete, or if their selling prices have declined. The assessment of the net realizable value was significant to our audit because the inventory balance represent a significant amount of the Group's total assets as at 31 December 2018.

The estimate of loss allowance on inventories is based on the age of these inventories, prevailing market conditions in the water treatment and process industries and historical allowance experiences which require management's judgement. Management applies particular judgement in the areas relating to inventory allowance based on expected inventory sales. This methodology relies upon assumptions made in determining appropriate allowance percentages for each aged categories of inventory.

For the samples selected our audit procedures included (a) the checking of the net realisable value of the inventories by comparing cost to subsequent selling prices; and (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant build up of aged inventories and assessing the reasonableness of the allowance for inventories. We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory allowances by assessing the Group's inventory allowance policy, as well as expectations for future sales and inventory management plans.

Other information

Management is responsible for the other information. The other information comprises information included in the statement by directors and 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

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 the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair 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:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

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

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

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

We also provide those charged with governance 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 Teo Cheow Tong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2019

Engagement partner – effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	Group	
		2018 \$'000	2017 \$'000
Revenue	5	25,290	23,842
Cost of sales		(19,048)	(16,491)
Gross profit		6,242	7,351
Interest income		9	12
Other gains	6	471	391
Marketing and distribution costs	7	(3,180)	(3,356)
Administrative expenses	7	(4,257)	(3,413)
Finance costs		(153)	(128)
Other losses	6	(285)	(306)
Share of profit / (loss) from equity-accounted associate		18	(11)
Share of profit / (loss) from equity-accounted joint ventures		58	(34)
(Loss) / profit before tax		(1,077)	506
Income tax expense	9	(150)	(370)
(Loss) / profit net of tax		(1,227)	136
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains / (losses)		55	(372)
– Reclassification to profit or loss arising from disposal of subsidiary		11	(33)
Other comprehensive income / (loss) for the year, net of tax		66	(405)
Total comprehensive loss		(1,161)	(269)
Loss attributable to owners of the parent, net of tax		(1,221)	(11)
(Loss) / profit attributable to non-controlling interests, net of tax		(6)	147
(Loss) / profit net of tax		(1,227)	136
Total comprehensive loss attributable to owners of the parent		(1,155)	(383)
Total comprehensive (loss) / income attributable to non-controlling interests		(6)	114
Total comprehensive loss		(1,161)	(269)
Loss per share		Cents	Cents
Basic and diluted	10	(0.57)	(0.01)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	Group		
		31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	11	8,945	6,738	5,917
Investments in associate	14	647	623	–
Investments in joint ventures	15	101	138	172
Other financial assets, non-current	16	–	–	–
Land use rights	17	1,184	1,280	1,357
Other assets, non-current	18	18	18	78
Total non-current assets		10,895	8,797	7,524
<u>Current assets</u>				
Asset held for sale under FRS 105	12	1,152	1,152	–
Inventories	19	2,532	2,940	4,745
Trade and other receivables, current	20	9,973	7,136	15,925
Other assets, current	18	1,106	694	936
Income tax recoverable		208	–	–
Cash and cash equivalents	21	2,837	3,853	4,822
Total current assets		17,808	15,775	26,428
Total assets		28,703	24,572	33,952
EQUITY AND LIABILITIES				
<u>Equity attributable to owners of the parent</u>				
Share capital	22	15,300	15,300	15,300
Other reserves	23	(79)	(134)	238
Retained earnings		366	1,573	1,584
Equity, attributable to owners of the parent		15,587	16,739	17,122
Non-controlling interests		(6)	(7)	949
Total equity		15,581	16,732	18,071
<u>Non-current liabilities</u>				
Deferred tax liabilities	9	53	53	53
Other financial liabilities, non-current	24	2,761	1,846	81
Total non-current liabilities		2,814	1,899	134
<u>Current liabilities</u>				
Income tax payable		–	139	261
Other financial liabilities, current	24	1,026	548	1,806
Trade and other payables	25	9,282	5,254	13,680
Total current liabilities		10,308	5,941	15,747
Total liabilities		13,122	7,840	15,881
Total equity and liabilities		28,703	24,572	33,952

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2018

	Notes	Company		
		31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	11	2,989	3,275	4,598
Investments in subsidiaries	13	3,467	3,609	4,245
Investments in joint ventures	15	–	100	100
Other financial assets, non-current	16	–	–	–
Other assets, non-current	18	18	18	78
Total non-current assets		6,474	7,002	9,021
<u>Current assets</u>				
Asset held for sale under FRS 105	12	1,038	1,038	–
Inventories	19	110	300	620
Trade and other receivables, current	20	7,373	8,506	10,340
Other assets, current	18	84	81	110
Cash and cash equivalents	21	562	1,793	1,634
Total current assets		9,167	11,718	12,704
Total assets		15,641	18,720	21,725
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	22	15,300	15,300	15,300
Retained earnings		(2,127)	732	64
Total equity		13,173	16,032	15,364
<u>Non-current liabilities</u>				
Deferred tax liabilities	9	33	33	33
Other financial liabilities, non-current	24	–	33	81
Total non-current liabilities		33	66	114
<u>Current liabilities</u>				
Other financial liabilities, current	24	33	48	1,806
Trade and other payables	25	2,402	2,574	4,441
Total current liabilities		2,435	2,622	6,247
Total liabilities		2,468	2,688	6,361
Total equity and liabilities		15,641	18,720	21,725

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

Group:	Total equity \$'000	Non- controlling interests \$'000	Attributable to parent subtotal \$'000	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000
Current year:						
Opening balance at 1 January 2018	16,732	(7)	16,739	15,300	1,573	(134)
Changes in equity:						
Total comprehensive (loss) / income for the year	(1,161)	(6)	(1,155)	-	(1,221)	66
Disposal of subsidiary with a change in control	10	7	3	-	14	(11)
Closing balance at 31 December 2018	15,581	(6)	15,587	15,300	366	(79)
Previous year:						
Opening balance at 1 January 2017	18,071	949	17,122	15,300	1,584	238
Changes in equity:						
Total comprehensive (loss) / income for the year	(269)	114	(383)	-	(11)	(372)
Disposal of subsidiary with a change in control	(1,070)	(1,070)	-	-	-	-
Closing balance at 31 December 2017	16,732	(7)	16,739	15,300	1,573	(134)

Company:	Total equity \$'000	Share capital \$'000	Retained earnings \$'000
Current year:			
Opening balance at 1 January 2018	16,032	15,300	732
Changes in equity:			
Total comprehensive loss for the year	(2,859)	-	(2,859)
Closing balance at 31 December 2018	13,173	15,300	(2,127)
Previous year:			
Opening balance at 1 January 2017	15,364	15,300	64
Changes in equity:			
Total comprehensive income for the year	668	-	668
Closing balance at 31 December 2017	16,032	15,300	732

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 \$'000	2017 \$'000
Cash flows from operating activities		
(Loss) / profit before tax	(1,077)	506
Adjustment for:		
Amortisation of land use rights	59	59
Depreciation of property, plant and equipment	708	576
Interest income	(9)	(12)
Interest expense	153	128
Gains on disposal of subsidiaries, net	(1)	(15)
Gains on disposal of joint ventures, net	(69)	–
Losses on disposal of plant and equipment, net	7	32
Gain on disposal of other asset	–	(8)
Share of (profit) / loss from equity-accounted associate	(18)	11
Share of (profit) / loss from equity-accounted joint ventures	(58)	34
Operating cash flow before changes in working capital	(305)	1,311
Trade and other receivables	(2,656)	4,646
Other assets	(412)	242
Inventories	408	377
Trade and other payables	4,313	(4,891)
Net cash flows from operations	1,348	1,685
Income taxes paid	(347)	(392)
Net cash flows from operating activities	1,001	1,293
Cash flows from investing activities		
Acquisition of associate	(40)	–
Disposal of subsidiaries (net of cash disposed) (Note 13A)	(3)	739
Interest received	9	12
Proceeds from disposal of plant and equipment	9	15
Proceeds from disposal of other asset	–	68
Purchase of property, plant and equipment (Note 21A)	(2,853)	(2,901)
Purchase of property classified as assets held for sale under FRS 105	–	(114)
Net cash flows used in investing activities	(2,878)	(2,181)
Cash flows from financing activities		
Finance lease repayment	(105)	(82)
Increase in borrowings	1,730	2,202
Interest paid	(153)	(128)
Repayment of bank borrowings	(322)	(1,760)
Net cash flows from financing activities	1,150	232
Net decrease in cash and cash equivalents	(727)	(656)
Effect of exchange rate changes on cash and cash equivalent	(289)	(313)
Cash and cash equivalents, statement of cash flows, beginning balance	3,853	4,822
Cash and cash equivalents, statement of cash flows, ending balance (Note 21)	2,837	3,853

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as “parent”), its subsidiaries and the Group’s interest in associates and joint ventures (the “Group”).

The financial statements are presented in Singapore Dollar and they cover the Company and its subsidiaries (the “Group”). All financial information have been rounded to the nearest thousand (\$’000), except when otherwise indicated.

The board of directors approved and authorised these financial statements for issue on the date of the statement of directors.

The Company’s principal activities are those relating to supply of piping systems and related accessories for use in water and wastewater infrastructure developments. It is listed on Catalist which is a shares market on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 13 below.

The registered office is 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407. The Company is situated in Singapore.

Statement of compliance with financial reporting standards

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS (I) INT”) as issued by the Singapore Accounting Standards Council. Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General (cont'd)

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods. Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services – Revenue from services orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Other income

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is deducted in calculating the carrying amount of the asset and therefore the grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold land and properties	– Over the terms of lease that are approximately 2%.
Plant and equipment	– 10% to 33.33%.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Land use rights

Land use rights under operating leases are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses on a straight-line basis over the remaining lease period of 48 years.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with the financial reporting standard on Investments in associates and joint ventures (as described above for associates).

In the Company's separate financial statements, an investment in a joint venture is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture 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. The carrying value and the net book value of an investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

There were no business combinations during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Classification and measurement of financial assets: (cont'd)

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of land use rights:

The Group has land use rights at a carrying value of \$1,184,000 (2017: \$1,280,000) disclosed under Note 17. An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The Group has entered into certain commitments pursuant to its acquisition of land use rights which if not met, may potentially result in an impairment to the land use rights. Details of the commitments are disclosed in Note 27. See Note 17 further details.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year of the Group and the Company were approximately \$2,532,000 (2017: \$2,940,000) and \$110,000 (2017: \$300,000) respectively.

Allowance for trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 20 on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Income tax amounts:

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 9 on income tax.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the specific asset or class of assets affected by the assumption of the Group and the Company were approximately \$8,945,000 (2017: \$6,738,000) and \$2,989,000 (2017: \$3,275,000) respectively.

Measurement of impairment of investment in subsidiaries:

Where a subsidiary is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is \$500,000 (2017: \$680,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

Richard Koh Chye Heng holds one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year. By virtue of Xu Jia Zu Holdings Pte. Ltd.'s Constitution, he has, or is deemed to have, the ability to exercise dominant influence over the parent company as well as the Company.

3A. Members of a Group:

<u>Name</u>	<u>Relationship</u>	<u>Country of incorporation</u>
Xu Jia Zu Holdings Pte. Ltd.	Ultimate parent company and immediate parent company	Singapore

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

Related parties in these financial statements refers to the companies with common director who have significant influence.

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
<u>Director:</u>		
Professional fee expense	–	2
<u>Other related parties:</u>		
Factory rental ^(a)	229	–
Rental of manufacturing equipment	138	–
Royalty fees expense ^(b)	35	114
Purchases of goods	563	705

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. Related party relationships and transactions (cont'd)

3B. Related party transactions: (cont'd)

- (a) Pursuant to the IPT Mandate between the Group and the related party, Duvalco Valves (Wuxi) Co., Ltd. (the "licensor"), the Group shall pay its related party the factory rental of a fixed amount RMB1,200,000 (equivalent \$250,000) per annum. The Group obtained a waiver from its related party for the factory rental for the reporting year ended 31 December 2017. The total amount of factory rental of \$250,000 is not included in the profit and loss in 31 December 2017.
- (b) Pursuant to the Licence Agreement between the Group and the licensor, Duvalco International Pte. Ltd. (the "licensor"), the Group shall pay its licensor the royalty fee for the duration of the Licence Agreement calculated at 5% of the chargeable consideration, for the Duvalco IP Rights. During the reporting year ended 31 December 2017, the Group obtained a waiver from its licensor for the royalty fee incurred in the fourth quarter amounting to \$82,000. The total amount of royalty fee included in the profit and loss of \$114,000 during the reporting year ended 31 December 2017 does not include the amount being waived.

3C. Key management compensation:

	2018 \$'000	2017 \$'000
Salaries and other short-term employee benefits	1,305	1,469

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

Remuneration of directors of the Company	634	611
Remuneration of directors of the subsidiaries	398	98
Fees to directors of the Company	137	145
Fees to a firm in which a director is a member	-	2

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

3D. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties: (cont'd)

The movements in other receivables from and other payables to related parties are as follows:

<u>Company</u>	<u>Subsidiaries</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
<u>Other receivables (payables):</u>		
Balance at beginning of the year – net debit	9,547	6,814
Amounts paid in and settlement of liabilities on behalf of the Company	(516)	–
Amounts paid out and settlement of liabilities on behalf of subsidiaries	–	2,733
Balance at end of the year – net debit	<u>9,031</u>	<u>9,547</u>
Presented in the statement of financial position as follows:		
Other receivables (Note 20)	9,038	9,662
Other payables (Note 25)	(7)	(115)
Net	<u>9,031</u>	<u>9,547</u>

	<u>Ultimate parent company</u>			
	<u>Group</u>		<u>Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
<u>Other payables:</u>				
Balance at beginning of the year	(1,715)	(1,785)	(1,715)	(1,785)
Amounts paid out and settlement of liabilities on behalf of ultimate parent company	58	70	58	70
Balance at end of the year (Note 25)	<u>(1,657)</u>	<u>(1,715)</u>	<u>(1,657)</u>	<u>(1,715)</u>

	<u>Related parties</u>			
	<u>Group</u>		<u>Company</u>	
	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
<u>Other receivables (payables):</u>				
Balance at beginning of the year – net debit	197	238	80	238
Amounts paid in and settlement of liabilities on behalf of the Company	(80)	(41)	(80)	(158)
Amounts paid out and settlement of liabilities on behalf of the related parties	98	–	–	–
Balance at end of the year – net debit	<u>215</u>	<u>197</u>	<u>–</u>	<u>80</u>

Presented in the statement of financial position as follows:

Other receivables (Note 20)	611	291	–	291
Other payables (Note 25)	(396)	(94)	–	(211)
Net	<u>215</u>	<u>197</u>	<u>–</u>	<u>80</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segment

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

Prior to 1 January 2018, the Group is organised into the following segments: (1) Portable water, (2) Waste water, (3) NEWater, (4) Valves and (5) Others.

During the reporting year ended 31 December 2018, management has assessed that for management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) General trading, (2) Engineering solutions, (3) Valves and (4) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (1) General trading (“GT”) – Trading of water piping materials and related accessories;
- (2) Engineering solutions (“ES”) – Provision of specialized products to water infrastructure products;
- (3) Valves (“VA”) – Valves for municipal and industrial applications; and
- (4) Others – Supply of parts and accessories in Oil & Gas industry and other non-water related products.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate a segment’s operating results is gross profit.

Segment assets consist principally of trade receivables that are directly attributable to a segment.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segment (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	GT		ES		VA		Others		Unallocated		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue by segment												
External revenue	14,066	16,946	5,368	3,010	5,327	3,515	529	371	-	-	25,290	23,842
Segment results :-												
Gross profit	3,164	5,913	833	209	1,737	866	508	363	-	-	6,242	7,351
Interest income									9	12	9	12
Finance costs									(153)	(128)	(153)	(128)
Amortisation of land use rights									(59)	-	(59)	(59)
Depreciation of property, plant and equipment									(708)	(576)	(708)	(576)
Employee benefits expenses									(4,201)	(4,196)	(4,201)	(4,196)
Unallocated corporate expenses									(2,469)	(1,997)	(2,469)	(1,997)
Other gains									186	144	186	144
Share of profit (loss) from equity-accounted associate									18	(11)	18	(11)
Share of profit (loss) from equity-accounted joint ventures									58	(34)	58	(34)
(Loss) / profit before tax											(1,077)	506
Income tax expenses											(150)	(370)
(Loss) / profit net of tax											(1,227)	136

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segment (cont'd)

4C. Assets, liabilities and reconciliations

	GT		ES		VA		Others		Unallocated		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets												
Trade and other receivables	5,360	5,943	1,946	552	1,589	118	1,078	523	-	-	9,973	7,136
Property, plant and equipment									8,945	6,738	8,945	6,738
Cash and cash equivalents									2,837	3,853	2,837	3,853
Asset held for sale under FRS 105									1,152	1,152	1,152	1,152
Others									5,796	5,693	5,796	5,693
Total assets											28,703	24,572
Reportable segment liabilities												
Trade and other payables									9,282	5,254	9,282	5,254
Other financial liabilities									3,787	2,394	3,787	2,394
Others									53	192	53	192
Total liabilities											13,122	7,840
Capital expenditure									2,853	3,107	2,853	3,107

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segment (cont'd)

4D. Geographical information

	Revenue		Non-current assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore	8,781	10,173	9,082	6,882
Australia	-	80	-	-
China	3,235	1,904	1,613	1,661
Europe	2,508	1,507	79	197
Hong Kong	10,602	9,725	120	55
Indonesia	-	12	1	1
Japan	164	133	-	-
Vietnam	-	245	-	-
Others	-	63	-	1
Subtotal for all foreign countries	16,509	13,669	1,813	1,915
Total	25,290	23,842	10,895	8,797

4E. Information about major customers

	2018 \$'000	2017 \$'000
Top 1 customer in GT segment	4,877	4,366

5. Revenue

Revenue from contracts with customers

#A. Revenue classified by type of good or service:

	Group	
	2018 \$'000	2017 \$'000
Sale of goods	24,977	23,569
Rental income	-	2
Commission income	313	-
Other income	-	271
Total revenue	25,290	23,842

The revenue from sale of goods is recognised based on point in time. The customers are retailers and wholesalers. A large portion of goods is exported.

The commission revenue is from services recognised based on point in time. The customers are commercial consumers.

All the contracts are less than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6. Other gains and (other losses)

	Group	
	2018 \$'000	2017 \$'000
Amortisation of land use rights (Note 17)	(59)	(59)
Bad debts written off trade receivables	(18)	–
Foreign exchange adjustment losses, net	(91)	(42)
Loss on disposal of plant and equipment, net	(7)	(32)
Gains on disposal of subsidiaries, net (Note 13A)	1	15
Gains on disposal of joint ventures, net (Note 15)	69	–
Gain on disposal of other asset	–	8
Government grant	48	159
Inventories write down reversal (Note 19)	6	209
Inventories written off	(11)	–
Net allowance for impairment on trade receivables – loss (Note 20)	(99)	(33)
Loss on corporate guarantee to former subsidiary (Note 26)	–	(103)
Recharge of payroll cost to joint venture	240	–
Write back of bad debts written off, net	19	–
Write back of impairment loss on trade receivables	6	–
Sundry income / (expense)	82	(37)
Net	<u>186</u>	<u>85</u>
Presented in profit or loss as:		
Other gains	471	391
Other losses	(285)	(306)
Net	<u>186</u>	<u>85</u>

7. Marketing and distribution costs, and administrative expenses

The major components include the following:

	Group	
	2018 \$'000	2017 \$'000
Marketing and distribution costs		
Employee benefits expense (Note 8)	2,090	2,206
Penalty for late delivery – reversal	–	(5)
Administrative expenses		
Employee benefits expense (Note 8)	2,109	1,754
Depreciation of property, plant and equipment (Note 11)	514	414

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

8. Employee benefits expense

	Group	
	2018 \$'000	2017 \$'000
Employee benefits expense	3,576	3,769
Contributions to defined contribution plan	378	301
Other benefits	248	126
Total employee benefits expense	<u>4,202</u>	<u>4,196</u>

The employee benefits expense is charged under:

Administrative expenses (Note 7)	2,109	1,754
Cost of sales	3	236
Marketing and distribution costs (Note 7)	2,090	2,206
	<u>4,202</u>	<u>4,196</u>

9. Income tax

9A. Components of tax expense recognised in profit or loss include:

	Group	
	2018 \$'000	2017 \$'000
<u>Current tax expense:</u>		
Current tax expense	174	380
Over adjustments in respect of prior periods	(24)	(10)
Total income tax expense	<u>150</u>	<u>370</u>

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018 \$'000	2017 \$'000
(Loss) / profit before tax	(1,077)	506
Less: Share of profit / (loss) from equity-accounted associate	(18)	11
Less: Share of profit / (loss) from equity-accounted joint ventures	(58)	34
	<u>(1,153)</u>	<u>551</u>
Income tax (credit) / expense at the above rate	(196)	94
Effect of different tax rates in different countries	(6)	(14)
Two-tiered profits tax regime	(28)	–
Non-deductible items / (not liable to tax items)	143	31
Deferred tax assets not recognised	149	240
Previously unrecognised deferred tax recognised this year	113	24
Over adjustments to current tax in respect of prior periods	(24)	(10)
Other minor items less than 3% each	(1)	5
Total income tax expense	<u>150</u>	<u>370</u>

NOTES TO THE FINANCIAL STATEMENTS

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9. Income tax (cont'd)

9A. Components of tax expense recognised in profit or loss include: (cont'd)

There are no income tax consequences of individuals to owners of the Company.

The major non-deductible items include the following:

	Group	
	2018 \$'000	2017 \$'000
Amortisation on land use right	10	10
Depreciation on non-qualifying plant and equipment	68	41
Inventories write down reversal	(1)	(36)
Motor vehicle expenses (S-plated cars)	6	-
Net allowance for impairment on trade receivables	19	-
	<u>19</u>	<u>-</u>

9B. Deferred tax balance recognised in profit or loss includes:

	Group	
	2018 \$'000	2017 \$'000
Excess of tax values over book value of property, plant and equipment	(42)	14
Tax loss carryforwards	192	236
Provisions	(1)	(10)
Deferred tax assets not recognised	(149)	(240)
Total deferred tax expense recognised in profit or loss	<u>-</u>	<u>-</u>

9C. Deferred tax balance in the statement of financial position:

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
<u>Deferred tax (liabilities)/assets recognised in profit or loss:</u>			
Excess of tax values over book value of property, plant and equipment	(26)	16	2
Tax loss carryforwards	1,719	1,527	1,291
Provisions	26	27	37
Deferred tax assets not recognised	(1,772)	(1,623)	(1,383)
Net balance	<u>(53)</u>	<u>(53)</u>	<u>(53)</u>
 <u>Presented in the statement of financial position as follows:</u>			
Deferred tax liabilities	<u>(53)</u>	<u>(53)</u>	<u>(53)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

9. Income tax (cont'd)

9C. Deferred tax balance in the statement of financial position: (cont'd)

	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
<u>Deferred tax assets/(liabilities):</u>			
Excess of tax values over book value of property, plant and equipment	9	22	10
Tax loss carryforwards	747	499	369
Provisions	17	21	23
Deferred tax assets not recognised	<u>(806)</u>	<u>(575)</u>	<u>(435)</u>
Net deferred tax liabilities	<u>(33)</u>	<u>(33)</u>	<u>(33)</u>

It is impracticable to estimate the amount expected to be settled or used within one year.

The above deferred tax assets for the tax losses that have not been recognised as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

Temporary differences arising in connection with interests in subsidiaries and joint ventures are insignificant.

10. Losses per share

The following table illustrates the numerators and denominators used to calculate basic and diluted losses per share of no par value:

	2018 \$'000	2017 \$'000
A. Numerator: loss attributable to equity:		
Continuing operations:		
Total basic and diluted losses attributable to owners of the parent	<u>(1,221)</u>	<u>(11)</u>
	<u>No. of shares '000</u>	<u>No. of shares '000</u>
B. Denominator: weighted average number of equity shares		
Basic and diluted	<u>214,202</u>	<u>214,202</u>

The weighted average number of equity shares refers to shares in circulation during the reporting year.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

NOTES TO THE FINANCIAL STATEMENTS

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11. Property, plant and equipment

Group	Construction in-progress	Leasehold land and properties	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
<u>Cost:</u>				
At 1 January 2017	309	3,721	5,342	9,372
Additions	–	2,587	461	3,048
Disposals	–	–	(488)	(488)
Foreign exchange adjustments	(5)	1	(12)	(16)
Disposal of subsidiary	–	–	(1,249)	(1,249)
Reclassified to asset held for sale	–	(1,076)	–	(1,076)
At 31 December 2017	304	5,233	4,054	9,591
Additions	2,547	–	396	2,943
Disposals	–	–	(22)	(22)
Foreign exchange adjustments	(9)	–	(30)	(39)
At 31 December 2018	2,842	5,233	4,398	12,473
<u>Accumulated depreciation and impairment losses:</u>				
At 1 January 2017	–	69	3,386	3,455
Depreciation for the year	–	84	492	576
Disposals	–	–	(441)	(441)
Foreign exchange adjustments	–	–	22	22
Disposal of subsidiary	–	–	(721)	(721)
Reclassified to asset held for sale	–	(38)	–	(38)
At 31 December 2017	–	115	2,738	2,853
Depreciation for the year	–	174	534	708
Disposals	–	–	(6)	(6)
Foreign exchange adjustments	–	–	(27)	(27)
At 31 December 2018	–	289	3,239	3,528
<u>Net book value:</u>				
At 1 January 2017	309	3,652	1,956	5,917
At 31 December 2017	304	5,118	1,316	6,738
At 31 December 2018	2,842	4,944	1,159	8,945

Allocation of the depreciation expense and impairment loss are as follows:

	Group	
	2018 \$'000	2017 \$'000
Cost of sales	140	15
Marketing and distribution costs	54	147
Administrative expenses (Note 7)	514	414
Total	708	576

NOTES TO THE FINANCIAL STATEMENTS

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11. Property, plant and equipment (cont'd)

Assets held in trust

Leasehold properties of \$3,544,000 (2017: \$3,589,000), classified under property, plant and equipment and asset held for sale under FRS 105 (see Note 12) of \$2,506,000 and \$1,038,000 respectively, are held in trust for the Group and the Company by the ultimate parent company, Xu Jia Zu Holdings Pte. Ltd..

Assets held under finance leases

Certain items are under finance lease agreements (see Note 24C).

Assets under construction

Properties include buildings in the course of construction with a cost of \$2,842,000 (2017: \$304,000).

<u>Company</u>	<u>Leasehold properties \$'000</u>	<u>Plant and equipment \$'000</u>	<u>Total \$'000</u>
<u>Cost:</u>			
At 1 January 2017	3,720	2,500	6,220
Additions	–	81	81
Disposal	–	(476)	(476)
Reclassified to asset held for sale	(1,076)	–	(1,076)
At 31 December 2017	2,644	2,105	4,749
Additions	–	26	26
Disposal	–	(22)	(22)
At 31 December 2018	2,644	2,109	4,753
<u>Accumulated depreciation:</u>			
At 1 January 2017	68	1,554	1,622
Depreciation for the year	63	258	321
Disposal	–	(431)	(431)
Reclassified to asset held for sale	(38)	–	(38)
At 31 December 2017	93	1,381	1,474
Depreciation for the year	45	251	296
Disposal	–	(6)	(6)
At 31 December 2018	138	1,626	1,764
<u>Net book value:</u>			
At 1 January 2017	<u>3,652</u>	<u>946</u>	<u>4,598</u>
At 31 December 2017	<u>2,551</u>	<u>724</u>	<u>3,275</u>
At 31 December 2018	<u>2,506</u>	<u>483</u>	<u>2,989</u>

NOTES TO THE FINANCIAL STATEMENTS

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12. Asset held for sale under FRS 105

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Asset held for sale:</u>			
Property in Malaysia held for disposal	114	114	-
Property in Singapore held for disposal	1,038	1,038	-
	<u>1,152</u>	<u>1,152</u>	<u>-</u>
	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Asset held for sale:</u>			
Property in Singapore held for disposal	1,038	1,038	-
	<u>1,038</u>	<u>1,038</u>	<u>-</u>

The property in Malaysia was acquired by the Group via an auction sale (see Note 26^(b)) with a view to dispose and accordingly, the net carrying value was presented as property held for sale under "Asset held for disposal under FRS 105". The property is held in trust by a third party.

A property in Singapore, is presented as asset held for sale under FRS 105 following the decision of management to sell the property in Singapore during the reporting year ended 31 December 2017.

13. Investments in subsidiaries

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>At cost:</u>			
Balance at beginning of the year	9,811	9,811	9,311
Additions	-	-	500
Disposal	(170)	-	-
Allowance for impairment	9,641	9,811	9,811
Balance at the end of the year	<u>(6,174)</u>	<u>(6,202)</u>	<u>(5,566)</u>
	<u>3,467</u>	<u>3,609</u>	<u>4,245</u>
<u>Movements in allowance for impairment:</u>			
Balance at beginning of the year	6,202	5,566	3,257
Impairment loss charge to profit or loss included in other losses	142	636	2,309
Written off on disposal	(170)	-	-
Balance at end of the year	<u>6,174</u>	<u>6,202</u>	<u>5,566</u>
Net book value of subsidiaries	<u>4,810</u>	<u>4,597</u>	<u>5,682</u>

The decreasing performance of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAMTJ") was considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to \$142,000 to write down the cost of investments to their recoverable amount during the reporting year ended 31 December 2018.

During the reporting year ended 31 December 2017, the decreasing performance of PAMTJ, and Duvalco Valves & Fittings Pte. Ltd. ("DVF") were considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to \$136,000 and \$500,000 respectively to write down the cost of investments to their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group			Effective percentage of equity held by Group		
	31.12. 2018	31.12. 2017	01.01. 2017	31.12. 2018	31.12. 2017	01.01. 2017
	\$'000	\$'000	\$'000	%	%	%
Pan Asian Flow Technology Pte. Ltd. ⁽¹⁾ Singapore Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Chio Lim LLP)	500	500	500	100	100	100
Duvalco Valves & Fittings Pte. Ltd. ⁽¹⁾ Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	3,000	3,000	3,000	100	100	100
Pan Asian Investment Pte. Ltd. ^{(4), (5), (11)} Singapore Investment holding	–	–	–	–	100	100
Sacha Inchi Pte. Ltd. ^{(1), (5), (8)} Singapore General importers and exporters for teas (RSM Chio Lim LLP)	–	–	–	100	100	–
PA Tech (Asia) Pte. Ltd. ⁽¹⁾ Singapore Supply marine and offshore products (RSM Chio Lim LLP)	180	180	180	60	60	60
Pan Asian Water Solutions (HK) Limited ⁽²⁾ Hong Kong Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Hong Kong)	586	586	586	100	100	100
PA Water Solutions (Shanghai) Limited ⁽³⁾ People's Republic of China General importers and exporters of pipes and valves (Zhong Peng Public Accountants)	330	330	330	100	100	100

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31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group			Effective percentage of equity held by Group		
	31.12. 2018 \$'000	31.12. 2017 \$'000	01.01. 2017 \$'000	31.12. 2018 %	31.12. 2017 %	01.01. 2017 %
Pan Asian Manufacturing (Tianjin) Co. Ltd ⁽⁴⁾ People's Republic of China Manufacturing and supply of pipes, fittings, valves and other related accessories	4,500	4,500	4,500	100	100	100
PA PTE (Thailand) Company Limited ^{(4), (6), (11)} Thailand Struck off	-	170	170	-	80	80
PT. Pan Asian Water Solutions ⁽³⁾ Indonesia Exporting and importing of products of water treatment (PT. ASA Indonesia)	151	151	151	100	100	100
W.D. Moore (2013) Pty Ltd ⁽³⁾ Australia Supply of windmill and solar-powered water pumping systems (Optima Audit Pty Ltd)	394	394	394	100	100	100
Pan Asian Holdings (B) Sdn Bhd ^{(4), (5), (11)} Brunei Darussalam General importers and exporters for pipes	-	-	-	-	100	100
Total in books of the Company	<u>9,641</u>	<u>9,811</u>	<u>9,811</u>			
<u>Held by Duvalco Valves and Fittings Pte. Ltd.</u>						
Duvalco B.V. ⁽⁷⁾ Netherlands Manufacturing of valves and fittings (RSM Rotterdam)	1,006	1,006	1,006	100	100	100
DWK (Tianjin) Co., Limited ^{(3), (9)} People's Republic of China Manufacturing of valves and fittings (Zhong Peng Public Accountants)	-	-	1,487	-	-	60
Duvalco Valves & Fittings (Wuxi) Co., Ltd ^{(3), (10)} People's Republic of China Manufacturing of valves and fittings (Kreston Jiangsu Gongqing CPA)	430	430	-	100	100	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group			Effective percentage of equity held by Group		
	31.12. 2018	31.12. 2017	01.01. 2017	31.12. 2018	31.12. 2017	01.01. 2017
	\$'000	\$'000	\$'000	%	%	%
<u>Held by Sacha Inchi Pte. Ltd.</u>						
Sacha Inchi (Thailand) Co., Ltd. ^{(4), (12)} Thailand General trading	-	-	-	100	-	-

(1) Audited by RSM Chio Lim LLP.

(2) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(3) Other independent auditor. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(4) Not audited, as it is immaterial. The unaudited management financial statements at 31 December 2018 have been used for consolidation purposes.

(5) Cost of investment is less than \$1,000.

(6) 31% of the shares in PA PTE (Thailand) Company Limited is held in trust, 49% of the shares are registered under the Company's name.

(7) Not required to be audited by the laws of local jurisdiction. RSM Rotterdam appointed to perform an audit for group consolidation purposes.

(8) On 3 March 2017, the Company incorporated a wholly-owned subsidiary, Sacha Inchi Pte. Ltd. with paid up capital of \$1.

(9) On 24 April 2017, the Group disposed 35% of its equity interest in the share capital of DWK Valves (Tianjin) Co., Limited, a 60% owned subsidiary for a consideration of RMB4,375,000, approximately \$888,000, and accordingly, a gain on disposal of subsidiary of \$15,000 was recognised in the profit or loss included in other gains (see Note 6) in the reporting year ended 31 December 2017. Subsequent to the disposal, DWK Valves (Tianjin) Co., Limited became its associate (see Notes 13A and 14⁽³⁾).

(10) On 21 July 2017, the Group incorporated a wholly-owned subsidiary, Duvalco Valve & Fittings (Wuxi) Co., Ltd with a total paid up share capital of \$430,000 (equivalent to RMB2,000,000).

(11) The subsidiaries have completed the deregistration with the relevant authorities in Singapore, Thailand and Brunei respectively (see Note 13A) and accordingly, de-consolidated during the reporting year ended 31 December 2018.

(12) On 30 August 2018, the Group incorporated a 100% owned subsidiary, Sacha Inchi (Thailand) Co., Ltd. with registered capital of THB2,000,000 (approximately \$80,000) which remains unpaid as at date of this report.

As required by Rule 716 of the Catalist Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

There are subsidiaries that have non-controlling interests (“NCI”) that are considered material to the reporting entity and additional disclosures on them are presented below.

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
<u>Name of the subsidiary: PA Tech (Asia) Pte. Ltd.:</u>			
#1. The (loss) / profit allocated to NCI of the subsidiary during the reporting year:	(6)	105	(67)
<u>Name of the subsidiary: DWK Valves (Tianjin) Co., Limited (see Note 13⁽⁹⁾):</u>			
#1. The profit allocated to NCI of the subsidiary during the reporting year:	-	41	96
#2. Accumulated NCI of the subsidiary at the end of the reporting year	-	1,070	975
#3. The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations) is as follows:			
Net assets	-	2,613	2,578
Revenue	-	1,790	7,550
Profit for the reporting year	-	103	441

13A. Disposal of subsidiaries

2018:

The subsidiaries, Pan Asian Investment Pte Ltd (“PAI”), PA Pte (Thailand) Company Limited (“PAPTE”) and Pan Asian Holdings (B) Sdn Bhd (“PAB”) was deconsolidated on 1 January 2018 (See Note 13⁽¹¹⁾).

The results for the reporting year from the deregistration of the subsidiaries (as mentioned above) and the results for the previous reporting year and for the period from the beginning of the reporting year to the date of disposal, which have been included in the consolidated financial statements, for the reporting year ended 31 December 2018 were as follows:

	Group	
	At date of disposal in 2018 \$'000	2017 \$'000
Revenue	-	3
Expenses	-	-
Profit before tax before disposal	-	3
<u>Presented as:</u>		
Gain on disposal of subsidiaries, included in profit or loss under other gains (Note 6)	1	-
Foreign currency translation reserve reclassified to profit or loss included in other comprehensive income / (loss)	11	-
Net gain on disposal	12	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

13A. Disposal of subsidiaries (cont'd)

2018: (cont'd)

A net gain on disposal of \$1,000 from the de-consolidation being the consideration receivable on deregistration less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the transaction. The subsidiary's unaudited financial statements as at 31 December 2017 were used to determine the above gain/loss on disposal of the subsidiary.

The carrying amount of the assets and liabilities of the subsidiary at the date of disposal are detailed as follows:

	PAI \$'000	PAPTE \$'000	PAB \$'000	Total \$'000
Cash and cash equivalents	-	3	-	3
Trade and other payables	(1)	(21)	-	(22)
Net carrying amount of assets disposed	(1)	(18)	-	(19)
Less: Non-controlling interests	-	7	-	7
Net assets disposed	(1)	(11)	-	(12)
Less: Foreign currency translation reserve	-	11	-	11
Gains on disposal (Note 6)	1	-	-	1
Total consideration	-	-	-	-

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

	PAI \$'000	PAPTE \$'000	PAB \$'000	Total \$'000
Cash consideration	-	-	-	-
Cash and cash equivalents disposed of	-	(3)	-	(3)
Net cash outflow	-	(3)	-	(3)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

13A. Disposal of subsidiaries (cont'd)

2017:

The subsidiary, DWK Valves (Tianjin) Co., Limited ("DWKTJ") was deconsolidated on 24 April 2017 (See Note 13⁽⁹⁾).

The results for the reporting year from the disposal of the subsidiary (as mentioned above) and the results for the previous reporting year and for the period from the beginning of the reporting year to the date of disposal, which have been included in the consolidated financial statements, for the reporting year ended 31 December 2017 were as follows:

	Group	
	At date of disposal in	
	2017 \$'000	2016 \$'000
Revenue	1,791	7,550
Expenses	(1,687)	(7,037)
Profit before tax before disposal	<u>104</u>	<u>513</u>
Presented as:		
Gain on disposal of subsidiaries, included in profit or loss under other gains (Note 6)	15	-
Foreign currency translation reserve reclassified to profit or loss included in other comprehensive loss	(33)	-
Net losses on disposal	<u>(18)</u>	<u>-</u>

A net loss on disposal of \$18,000 from the de-consolidation being the consideration receivable on disposal less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the transaction. The subsidiary's unaudited financial statements as at 31 May 2017 were used to determine the above gain/loss on disposal of the subsidiary.

The carrying amount of the assets and liabilities of the subsidiary at the date of disposal are detailed as follows:

	DWKTJ \$'000
Plant and equipment	528
Inventories	1,428
Cash and cash equivalents	149
Trade and other receivables	4,143
Trade and other payables	<u>(3,635)</u>
Net carrying amount of assets disposed	2,613
Less: Non-controlling interests	(1,070)
Less: Transfer to investment in associate	<u>(634)</u>
Net assets disposed	909
Less: Foreign currency translation reserve	(33)
Less: Capital reserve	(3)
Gains on disposal (Note 6)	15
Total consideration	<u>888</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. Investments in subsidiaries (cont'd)

13A. Disposal of subsidiaries (cont'd)

2017: (cont'd)

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

	Total \$'000
Cash consideration	888
Cash and cash equivalents disposed of	(149)
Net cash inflow	<u>739</u>

14. Investments in associate

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Movements in carrying value:			
Balance at beginning of the year	623	–	–
Additions	40	634	–
Adjustment for share of unrealised income	(34)	–	–
Share of profits / (losses) for the year	18	(11)	–
Balance at end of year	<u>647</u>	<u>623</u>	<u>–</u>
Share of net book value of associates	<u>952</u>	<u>625</u>	<u>–</u>

Name of associates, country of incorporation, place of operations and principal activities (and independent auditor)

	Cost in books of Group			Effective percentage of equity held by Group		
	31.12. 2018 \$'000	31.12. 2017 \$'000	01.01. 2017 \$'000	31.12. 2018 %	31.12. 2017 %	01.01. 2017 %
<u>Held by Duvalco Valves and Fittings Pte. Ltd.</u>						
DWK (Tianjin) Co., Limited ^{(2), (3)}	634	634	–	25	25	–
People's Republic of China						
Manufacturing of valves and fittings						
(Zhong Peng Public Accountants)						
<u>Held by Pan Asian Flow Technology Pte. Ltd.</u>						
SPJV Integrated LLP ^{(1), (4)}	40	–	–	10	–	–
Singapore						
Building construction						

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

14. Investments in associate (cont'd)

- (1) Audited by RSM Chio Lim LLP
- (2) Other independent auditor. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member firm.
- (3) As described in Note 13⁽⁹⁾, following the disposal of 35% of its equity interest in the share capital of former subsidiary, DWK Valves (Tianjin) Co., Limited (“DWKTJ”), DWKTJ became its associate.
- (4) On 22 December 2017, Pan Asian Flow Technology Pte Ltd (“PAFT”), (a subsidiary of the Group) incorporated a limited liability partnership, SPJV Integrated LLP (“SPJV”) with its joint venture partner, Smitech Engineering Pte Ltd (“Smitech”). Per the terms of joint venture agreement with Smitech, although PAFT only owned 10% of SPJV, SPJV is regarded as an associate because PAFT is able to exercise significant influence by virtue of the agreement which states that PAFT is guaranteed one out of three seats on the board of the associate and participates in all significant financial and operating decisions and therefore it has significant influence over SPJV.

There are associates that are considered not material to the reporting entity. The summarised financial information of all the non-material associates and the aggregate amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associates are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	<u>31.12.2018</u> \$'000	<u>31.12.2017</u> \$'000	<u>01.01.2017</u> \$'000
<u>Aggregate for all non-material associates:</u>			
Profit from continuing operations	340	19	–
Total comprehensive profit / (loss)	340	(46)	–
Net assets of the associate	<u>3,153</u>	<u>2,496</u>	<u>–</u>

There are no significant restrictions on the ability of the major associates to transfer funds to the reporting entity in the form of cash dividends.

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in joint ventures

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Movements in carrying value:			
Balance at beginning of year	138	172	340
Additions (Note 15 ⁽⁶⁾)	-	-	-
Disposal	(95)	-	-
Allowance for impairment	-	-	(5)
Share of profit (losses) for the year	58	(34)	(163)
Balance at end of year	<u>101</u>	<u>138</u>	<u>172</u>
Carrying value:			
Unquoted equity share at cost	98	198	198
Allowance for impairment	-	(5)	(5)
Share of post-acquisition losses	3	(55)	(21)
	<u>101</u>	<u>138</u>	<u>172</u>
Movements in allowance for impairment:			
Balance at beginning of the year	(5)	(5)	-
Impairment loss charge to profit or loss in other losses (Note 6)	-	-	(5)
Written off on disposal	5	-	-
Balance at end of the year	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Share of net book value of joint ventures	<u>96</u>	<u>133</u>	<u>7</u>
		Company	
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
Movements in carrying value:			
Balance at beginning of year	100	100	105
Disposal	(100)	-	-
Allowance for impairment	-	-	(5)
Balance at end of year	<u>-</u>	<u>100</u>	<u>100</u>
Carrying value:			
Unquoted equity share at cost	-	149	149
Allowance for impairment	-	(49)	(49)
	<u>-</u>	<u>100</u>	<u>100</u>
Movements in allowance for impairment:			
Balance at beginning of the year	(5)	(5)	-
Impairment loss charge to profit or loss in other losses (Note 6)	-	-	(5)
Written off on disposal	5	-	-
Balance at end of the year	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Share of net book value of joint ventures	<u>-</u>	<u>95</u>	<u>7</u>

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15. Investments in joint ventures (cont'd)

Name of joint ventures, country of incorporation, place of operations and principal activities (and independent auditor)	Effective percentage of equity held by the Group		
	31.12.2018 %	31.12.2017 %	01.01.2017 %
Franklin Hodge Pte. Ltd. ^{(1), (4)} Singapore Trading and manufacturing of engineering products and water work application (RSM Chio Lim LLP)	–	50	50
S-Two (Asia) Pte. Ltd. ^{(1), (4)} Singapore Trading of marine engine and ship parts (RSM Chio Lim LLP)	–	50	50
<u>Held by Duvalco Valves & Fittings Pte. Ltd.</u> Duvalco UK Limited ⁽²⁾ United Kingdom Selling valves and pipes within United Kingdom	50	50	50
<u>Held by Franklin Hodge Pte. Ltd.</u> Franklin Hodge Sdn. Bhd. ⁽⁴⁾ Malaysia Inactive (GEP Associates)	–	50	50
<u>Held by Pan Asian Flow Technology Pte. Ltd.</u> Muhr Asia Pte. Ltd. ^{(2), (3), (5)} Singapore Manufacture and repair of water/waste water treatment equipment	50	–	–

(1) Audited by RSM Chio Lim LLP.

(2) Not audited as it is immaterial. The unaudited management financial statements as at 31 December 2018 have been used for consolidation purposes.

(3) Cost of investment less than \$1,000

(4) The joint ventures have completed the deregistration with the relevant authorities in Singapore and Malaysia respectively (see Note 15A) and accordingly, de-consolidated during the reporting year ended 31 December 2018.

(5) On 6 September 2018, Pan Asian Flow Technology Pte Ltd, a subsidiary of the Group, and its joint venture partner E & R Muhr Germany incorporated a 50% owned company, Muhr Asia Pte. Ltd. with a paid up capital of \$1.

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in joint ventures (cont'd)

There are joint ventures that are considered not material to the reporting entity. The summarised financial information of all the non-material joint ventures and the aggregate amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associates are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Aggregate for all non-material joint ventures:</u>			
Assets	347	458	827
Liabilities	133	516	813
Revenue	759	1,038	530
Profit / (loss) for the year	116	(75)	(299)

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group in the form of cash dividends.

During the reporting year ended 31 December 2015, the Group has stopped recognising its share of losses of one of the joint venture. The unrecognised share of losses amount to \$5,000 for the reporting year ended 31 December 2017. The joint venture has been disposed of during the reporting year ended 31 December 2018.

15A. Disposal of joint ventures

The joint ventures, S-Two (Asia) Pte. Ltd. ("S2"), Franklin Hodge Pte. Ltd. ("FH") and Franklin Hodge Sdn. Bhd. ("FHM") was deconsolidated on 31 December 2018 (See Note 15⁽⁶⁾).

A net gain on disposal of \$69,000 was recognised in the profit or loss under other gains (Note 6) following the de-consolidation, being the consideration receivable on disposal less the net carrying amount of the investment in joint ventures and receivables from and payable to the joint ventures. No tax charge or credit arose from the transaction. The joint venture's unaudited financial statements as at 30 November 2018 were used to determine the above gain/loss on disposal of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in joint ventures (cont'd)

15A. Disposal of joint ventures (cont'd)

The carrying amount of the assets and liabilities of the joint ventures at the date of disposal are detailed as follows:

	S2 \$'000	FH \$'000	FHM \$'000	Total \$'000
Cost of investments	100	-	-	100
Trade and other receivables	-	130	-	130
Trade and other payables	(102)	(197)	-	(299)
Net carrying amount of assets disposed	(2)	(67)	-	(69)
Gains on disposal (Note 6)	2	67	-	69
Total consideration	-	-	-	-

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of joint ventures were as follows:

	S2 \$'000	FH \$'000	FHM \$'000	Total \$'000
Cash consideration	-	-	-	-
Cash and cash equivalents disposed of	-	-	-	-
Net cash outflow	-	-	-	-

16. Other financial assets, non-current

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Unquoted shares in a corporation, at cost ^{(a), (b)}	-	701	701
Less allowance for impairment	-	(701)	(701)
At fair value at end of the year	-	-	-
Balance at end of the year	-	-	-

	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
Unquoted shares in a corporation, at cost ^{(a), (b)}	-	701	701
Less allowance for impairment	-	(701)	(701)
At fair value at end of the year	-	-	-
Balance at end of the year	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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16. Other financial assets, non-current (cont'd)

- (a) The Group was unable to exercise majority control over the board of directors and management of PA Corporation (M) Sdn. Bhd. ("PACO") and DVC Engineering & Trading Sdn. Bhd. ("DVC"). The Group management has considered the above facts and circumstances in accordance with FRS 110 and assessed that the Group is deemed to no longer have control over PACO and DVC and accordingly, the investments in PACO and DVC were reclassified to unquoted investments at cost less allowance with effect from 1 August 2015.
- (b) The other financial assets have been written off during the year as DVC and PACO have been wound up as at 31 December 2018.

As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment. Impairment losses recognised in profit or loss for equity investments are not reversed.

17. Land use rights

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Cost:</u>			
At beginning of the year	2,839	2,879	2,989
Foreign exchange adjustments	(84)	(40)	(110)
At end of the year	<u>2,755</u>	<u>2,839</u>	<u>2,879</u>
<u>Accumulated amortisation:</u>			
At beginning of the year	1,559	1,522	1,518
Amortisation for the year included in other losses (Note 6)	59	59	60
Foreign exchange adjustments	(47)	(22)	(56)
At end of the year	<u>1,571</u>	<u>1,559</u>	<u>1,522</u>
Balance at end of the year	<u>1,280</u>	<u>1,357</u>	<u>1,471</u>
Balance at end of the year	<u>1,184</u>	<u>1,280</u>	<u>1,357</u>

The land use rights are for a piece of land situated in Tianjin Ecocity, People's Republic of China. The land use rights expire in year 2060 and are not transferrable. Certain commitments in relation to the land use rights are disclosed under Note 27.

In the reporting year ended 31 December 2015, the land use right was written down to its net realisable value based on management's estimate then. As further discussed in Note 27, the Group is exploring ways to recover this amount at the prevailing market value.

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18. Other assets

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Non-current:</u>			
Club memberships at cost	45	45	105
Less allowance for impairment	<u>(27)</u>	<u>(27)</u>	<u>(27)</u>
	<u>18</u>	<u>18</u>	<u>78</u>
<u>Current:</u>			
Prepayments	988	603	819
Deposits to secure services	<u>118</u>	<u>91</u>	<u>117</u>
	<u>1,106</u>	<u>694</u>	<u>936</u>
<u>Movements in above allowance:</u>			
Balance at beginning of the year	27	27	694
Written off	-	-	(667)
Balance at end of the year	<u>27</u>	<u>27</u>	<u>27</u>
	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Non-current:</u>			
Club memberships at cost	45	45	105
Less allowance for impairment	<u>(27)</u>	<u>(27)</u>	<u>(27)</u>
	<u>18</u>	<u>18</u>	<u>78</u>
<u>Current:</u>			
Prepayments	44	41	61
Deposits to secure services	<u>40</u>	<u>40</u>	<u>49</u>
	<u>84</u>	<u>81</u>	<u>110</u>
<u>Movements in above allowance:</u>			
Balance at beginning and end of the year	<u>27</u>	<u>27</u>	<u>27</u>

The above club memberships are held in trust by certain directors and employees.

The carrying value of club memberships is at cost. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently, it is carried at cost less allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

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19. Inventories

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Finished goods and goods for resale	<u>2,532</u>	<u>2,940</u>	<u>4,745</u>
Inventories are stated after allowance. Movements in allowance:			
Balance at beginning of the year	246	461	1,006
Reversal to profit or loss included in other gains (Note 6)	(6)	(209)	(254)
Charge to profit or loss included in cost of sales	8	(8)	(313)
Foreign exchange adjustments	-	2	22
Balance at end of the year	<u>248</u>	<u>246</u>	<u>461</u>
Changes in inventories of finished goods	<u>408</u>	<u>1,805</u>	<u>234</u>
Cost of inventories sold recognised in cost of sales	<u>17,438</u>	<u>14,128</u>	<u>24,321</u>

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Finished goods and goods for resale	<u>110</u>	<u>300</u>	<u>620</u>
Inventories are stated after allowance. Movements in allowance:			
Balance at beginning of the year	142	286	801
Reversal to profit or loss included in other gains	(49)	(144)	(371)
Charge to profit or loss included in cost of sales	-	-	(144)
Balance at end of the year	<u>93</u>	<u>142</u>	<u>286</u>

Certain inventories are pledged as security for trust receipts (see Note 24A).

The reversal of allowance is for goods with an estimated increase in net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

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20. Trade and other receivables

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Trade receivables:</u>			
Outside parties	9,469	6,963	15,654
Less allowance for impairment	(403)	(474)	(851)
Related parties	226	288	199
Trade receivables – subtotal	<u>9,292</u>	<u>6,777</u>	<u>15,002</u>
<u>Other receivables:</u>			
Advances to purchase assets	–	123	–
Related parties (Note 3D)	611	291	291
Less allowance for impairment	–	(238)	(238)
Tax recoverable	–	6	74
Outside parties	70	1,047	1,721
Less allowance for impairment	–	(870)	(925)
Other receivables – subtotal	<u>681</u>	<u>359</u>	<u>923</u>
Total trade and other receivables	<u>9,973</u>	<u>7,136</u>	<u>15,925</u>
Movements in above allowance:			
Balance at beginning of the year	1,582	2,014	2,249
Allowance/(write-back) for impairment on trade receivables to profit or loss included in other losses/(gains) (Note 6)	99	33	(95)
Disposal of subsidiaries	–	(230)	–
Disposal of joint venture	(238)	–	–
Written off ^(b)	(1,033)	(240)	(129)
Foreign exchange adjustments	(7)	5	(11)
Balance at end of the year	<u>403</u>	<u>1,582</u>	<u>2,014</u>
	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
<u>Trade receivables:</u>			
Outside parties	449	552	2,501
Less allowance for impairment	(381)	(339)	(284)
Subsidiaries	761	590	3,202
Less allowance for impairment	(242)	(236)	(248)
Related parties	120	120	31
Trade receivables – subtotal	<u>707</u>	<u>687</u>	<u>5,202</u>
<u>Other receivables:</u>			
Subsidiaries (Note 3D) ^(a)	9,038	9,662	6,814
Less allowance for impairment	(2,372)	(1,896)	(1,893)
Related parties (Note 3D)	–	291	291
Less allowance for impairment	–	(238)	(238)
Outside parties	–	724	940
Less allowance for impairment	–	(724)	(776)
Other receivables – subtotal	<u>6,666</u>	<u>7,819</u>	<u>5,138</u>
Total trade and other receivables	<u>7,373</u>	<u>8,506</u>	<u>10,340</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

20. Trade and other receivables (cont'd)

	31.12.2018	Company 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Movements in above allowance:			
Balance at beginning of the year	3,433	3,439	3,315
Allowance for impairment on trade receivables to profit or loss included in other losses (Note 6)	97	–	728
Allowance for impairment on subsidiaries' receivables to profit or loss included in other losses (Note 6)	579	–	–
Other disposal of subsidiaries	(80)	–	–
Other disposal of joint ventures	(250)	–	–
Written off ^(b)	(775)	(6)	(604)
Foreign exchange adjustment	(9)	–	–
Balance at end of the year	<u>2,995</u>	<u>3,433</u>	<u>3,439</u>

- (a) The amount include loans to subsidiaries totalling \$8,285,000 (2017: \$7,815,000), which are unsecured, with a tenure of 6 months and subject to automatic rollover, and carry an interest at 3.0% to 5.0% (2017: 3.0% to 5.0%) per annum payable upon repayment of the loans. The carrying amount is a reasonable approximation of fair value (Level 3). The amount was not past due.
- (b) The write off of allowance for impairment on trade receivables includes the amounts due from the entities classified under other financial assets (as disclosed in Note 16^(b)).

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

Concentration of trade receivable customers as at the end of the reporting year:

- 21% (2017: 49%) of the Group's trade receivables were due from two major customers.
- 58% (2017: 72%) of the Company's trade receivables were due from two major customers.

The Group has only few receivables as at reporting year end and which can be graded as low risk individually. These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The trade receivables are considered to have low credit risk individually. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary. There are no collateral held as security and other credit enhancements for the trade receivables.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 to 90 days (2017: 60 to 90 days), but some customers take a longer period to settle the amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

20. Trade and other receivables (cont'd)

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
31 to 60 days	1,913	1,157	2,610
61 to 90 days	418	504	1,512
91 to 120 days	452	1,097	1,295
Over 120 days	913	2,027	5,614
Total	<u>3,696</u>	<u>4,785</u>	<u>11,031</u>

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
31 to 60 days	5	–	246
61 to 90 days	–	7	58
91 to 120 days	100	–	–
Over 120 days	591	205	1,720
Total	<u>696</u>	<u>212</u>	<u>2,024</u>

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
Over 120 days	<u>403</u>	<u>474</u>	<u>851</u>

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
Over 120 days	<u>623</u>	<u>575</u>	<u>532</u>

The allowance which is disclosed in the note on trade receivables is based on individual accounts that are determined to be impaired at the end of the reporting year. These are not secured.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

20. Trade and other receivables (cont'd)

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. Related company receivables are regarded as of low credit risk if they are guaranteed with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

21. Cash and cash equivalents

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Not restricted in use	<u>2,837</u>	<u>3,853</u>	<u>4,822</u>
	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Not restricted in use	<u>562</u>	<u>1,793</u>	<u>1,634</u>

21A. Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment of \$90,000 (2017: \$147,000) acquired by means of finance leases.

21B. Reconciliation of liabilities arising from financing activities:

	2017	Cash flows	Non-cash	2018
	\$'000	\$'000	changes	\$'000
	\$'000	\$'000	\$'000	\$'000
At 31 December 2018:				
Other financial liabilities	<u>2,394</u>	<u>1,303</u>	<u>90</u>	<u>3,787</u>
	2016	Cash flows	Non-cash	2017
	\$'000	\$'000	changes	\$'000
	\$'000	\$'000	\$'000	\$'000
At 31 December 2017:				
Other financial liabilities	<u>1,887</u>	<u>360</u>	<u>147</u>	<u>2,394</u>

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22. Share capital

	Group and Company	
	Number of shares issued \$'000	Share capital \$'000
Ordinary shares of no par value:		
Balance at 1 January 2017, 31 December 2017 and 31 December 2018	<u>214,202</u>	<u>15,300</u>

The ordinary shares of no par value which are fully paid carry no right to fixed income. The company is not subject to any externally imposed capital requirements.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year.

The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
Net debt:			
All current and non-current borrowings including finance leases	3,787	2,394	1,887
Less: cash and cash equivalents	(2,837)	(3,853)	(4,822)
Net debt	<u>950</u>	<u>(1,459)</u>	<u>(2,935)</u>
Adjusted capital:			
Total equity	<u>15,581</u>	16,732	18,071
Adjusted capital	<u>15,581</u>	<u>16,732</u>	<u>18,071</u>
Debt-to-adjusted capital ratio	<u>6.1%</u>	<u>N.M.</u>	<u>N.M.</u>

The unfavourable changes as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in new debt.

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31 DECEMBER 2018

22. Share capital (cont'd)

N.M – The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

23. Other reserves

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Foreign currency translation reserve (Note 23A)	(207)	(262)	115
Statutory reserves (Note 23B)	128	128	123
Total at the end of the year	<u>(79)</u>	<u>(134)</u>	<u>238</u>

The movements in the reserves are disclosed in the statement of changes in equity.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

23A. Foreign currency translation reserve

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Balance at beginning of the year	(262)	115	237
Exchange differences on translating foreign operations	55	(377)	(122)
Balance at end of the year	<u>(207)</u>	<u>(262)</u>	<u>115</u>

The currency translation reserve accumulates all foreign exchange differences on translating foreign operations.

23B. Statutory reserves

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Balance at beginning of the year	128	123	103
Transfer from retained earnings	–	5	20
Balance at end of the year	<u>128</u>	<u>128</u>	<u>123</u>

A subsidiary incorporated in People's Republic of China ("PRC") is required by the relevant Chinese regulations and the Articles of Association to appropriate, where applicable, certain percentage of profit after taxation (after offsetting all recognised tax losses carried forward from previous financial years) arrived at in accordance with the Company Law of PRC and Company's Articles of Association each year to statutory reserves. The appropriation to statutory reserves must be made before distribution of dividends to shareholders. Subject to certain restrictions, part of the reserve may be converted to increase share capital or be used to make up losses. These statutory reserves are not distributable in the form of cash dividends.

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24. Other financial liabilities

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Non-current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Bank loans (Note 24B)	2,685	1,750	–
<u>Financial instruments with fixed interest rates:</u>			
Finance leases (Note 24C)	76	96	81
Total non-current portion	<u>2,761</u>	<u>1,846</u>	<u>81</u>
<u>Current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Short term borrowings (Note 24B)	110	452	–
Trust receipts for purchase of inventories (Note 24A)	795	–	1,760
<u>Financial instruments with fixed interest rates:</u>			
Bank overdraft	21	–	–
Finance leases (Note 24C)	100	96	46
Total current portion	<u>1,026</u>	<u>548</u>	<u>1,806</u>
Total non-current and current	<u>3,787</u>	<u>2,394</u>	<u>1,887</u>
The non-current portion is repayable as follows:			
Due within two to five years	76	96	81
After five years	2,685	1,750	–
Total non-current portion	<u>2,761</u>	<u>1,846</u>	<u>81</u>
	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
<u>Non-current:</u>			
<u>Financial instruments with fixed interest rates:</u>			
Finance leases (Note 24C)	–	33	81
Total non-current portion	<u>–</u>	<u>33</u>	<u>81</u>
<u>Current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Trust receipts for purchase of inventories (Note 24A)	–	–	1,760
<u>Financial instruments with fixed interest rates:</u>			
Finance leases (Note 24C)	33	48	46
Total current portion	<u>33</u>	<u>48</u>	<u>1,806</u>
Total non-current and current	<u>33</u>	<u>81</u>	<u>1,887</u>
The non-current portion is repayable as follows:			
Due within two to five years	–	33	81
Total non-current portion	<u>–</u>	<u>33</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS

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24. Other financial liabilities (cont'd)

All the amounts are at floating interest rates except for finance leases that are on fixed interest rates (see Note 24C). The range of floating interest rates paid were as follows:

	31.12.2018 %	Group 31.12.2017 %	01.01.2017 %
Bank loans and short term borrowings	5.25	3.15 to 5.00	5.50
Trust receipts for purchase of inventories	1.75 to 5.25	2.96 to 6.61	1.78 to 3.25
		Company	
	31.12.2018 %	31.12.2017 %	01.01.2017 %
Trust receipts for purchase of inventories	-	-	1.78 to 3.25

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting years are below three months (2017: three months).

The range of fixed interest rates per annum paid for finance lease liabilities and their average lease terms were as follows:

	31.12.2018 %	Group 31.12.2017 %	01.01.2017 %
Rates per annum	2.3% to 5.3%	2.3% to 5.3%	2.3% to 4.5%
Average lease term in years	3 to 5	3 to 5	3 to 5
		Company	
	31.12.2018 %	31.12.2017 %	01.01.2017 %
Rates per annum	4.5%	4.5%	4.5%
Average lease term in years	5	5	5

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is three to five years. For the reporting year ended 31 December 2018, the rate of interest for finance leases ranges from 2.3% to 5.3% (2017: 2.3% to 5.3%) per annum.

The floating rate debt instruments are with interest rates that are re-set regularly at short intervals.

The bank loan is repayable in full on its maturity date which falls on 10 years commencing from the end of three months after the issuance of the industrial building's Temporary Occupation Permit.

NOTES TO THE FINANCIAL STATEMENTS

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24. Other financial liabilities (cont'd)

24A. Trust receipts for purchase of inventories

The trust receipts are covered by a first legal charge on certain inventories.

24B. Bank loans and short term borrowings

The short term borrowings are covered by corporate guarantee from the Company.

The bank loans are secured and covered by:

- First legal mortgage over the land of the Group (located at Tuas South Link 3 Plot 24) (Note 11) and the proposed development to be erected thereon into an industrial building;
- Legal assignment of all rights, title and interests in the construction contract, insurance policies, performance bonds, tenancy agreement and sales and purchase agreement of the proposed development; and
- Corporate guarantee from the Company.

The facility agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans or other credit facilities becoming repayable immediately upon service of a notice of default by the lenders.

24C. Finance leases

Group

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>31 December 2018</u>			
Minimum lease payments payable:			
Due within one year	105	(5)	100
Due within two to five years	81	(5)	76
Total	<u>186</u>	<u>(10)</u>	<u>176</u>
Net book value of motor vehicle under finance lease liability			<u>330</u>
<u>31 December 2017</u>			
Minimum lease payments payable:			
Due within one year	103	(7)	96
Due within two to five years	99	(3)	96
Total	<u>202</u>	<u>(10)</u>	<u>192</u>
Net book value of motor vehicle under finance lease liability			<u>332</u>
<u>1 January 2017</u>			
Minimum lease payments payable:			
Due within one year	50	(4)	46
Due within two to five years	84	(3)	81
Total	<u>134</u>	<u>(7)</u>	<u>127</u>
Net book value of motor vehicle under finance lease liability			<u>243</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

24. Other financial liabilities (cont'd)

24C. Finance leases (cont'd)

Company

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>31 December 2018</u>			
Minimum lease payments payable:			
Due within one year	34	(1)	33
Due within two to five years	-	-	-
Total	<u>34</u>	<u>(1)</u>	<u>33</u>

Net book value of motor vehicle under finance lease liability			<u>61</u>
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31 December 2017

Minimum lease payments payable:			
Due within one year	50	(2)	48
Due within two to five years	34	(1)	33
Total	<u>84</u>	<u>(3)</u>	<u>81</u>

Net book value of motor vehicle under finance lease liability			<u>152</u>
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1 January 2017

Minimum lease payments payable:			
Due within one year	50	(4)	46
Due within two to five years	84	(3)	81
Total	<u>134</u>	<u>(7)</u>	<u>127</u>

Net book value of motor vehicle under finance lease liability			<u>243</u>
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All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee from a director of the Group. The carrying amount of the lease liabilities is not significantly different from the fair value (Level 2).

25. Trade and other payables

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Trade payables:</u>			
Outside parties and accrued liabilities	2,711	1,992	9,629
Related parties	776	517	362
Trade payables – subtotal	<u>3,487</u>	<u>2,509</u>	<u>9,991</u>
<u>Other payables:</u>			
Outside parties	2,604	793	847
Ultimate parent company (Note 3D)	1,657	1,715	1,785
Related parties (Note 3D)	396	94	53
Advances received from customers	1,138	143	1,004
Other payables – subtotal	<u>5,795</u>	<u>2,745</u>	<u>3,689</u>
Total trade and other payables	<u>9,282</u>	<u>5,254</u>	<u>13,680</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

25. Trade and other payables (cont'd)

	31.12.2018	Company 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Trade payables:</u>			
Outside parties and accrued liabilities	606	420	1,953
Related parties	-	-	4
Subsidiaries	-	-	503
Trade payables – subtotal	<u>606</u>	<u>420</u>	<u>2,460</u>
<u>Other payables:</u>			
Outside parties	132	113	111
Ultimate parent company (Note 3D)	1,657	1,715	1,785
Related parties (Note 3D)	-	211	53
Subsidiaries (Note 3D)	7	115	-
Advances received from customers	-	-	32
Other payables – subtotal	<u>1,796</u>	<u>2,154</u>	<u>1,981</u>
Total trade and other payables	<u><u>2,402</u></u>	<u><u>2,574</u></u>	<u><u>4,441</u></u>

26. Contingent liabilities

	31.12.2018	Company 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Undertaking to support subsidiaries with deficits ^(a)	3,237	2,325	1,851
Bank guarantee in favour of subsidiaries (Note 3)	-	1,227	1,306
Bank guarantee in favour of former subsidiary ^(b)	-	31	-

(a) Undertaking to support subsidiaries with deficits – The Company has undertaken to provide continued financial support to certain of its subsidiaries which had net capital deficit at the end of the reporting year.

(b) Bank guarantee in favour of the Company's former subsidiary – There was a claim from a bank against the Company for an outstanding overdraft owing by DVC Engineering & Trading Sdn. Bhd. ("DVC"), its former subsidiary (see Note 16(a)), which is secured by corporate guarantee from the Company and certain directors of the former subsidiary and a first charge on the former subsidiary's office property. During the auction sale in the reporting year ended 31 December 2017, this office property was acquired by the Group (as described in Note 12) at MYR350,000 (equivalent to \$114,000). In settlement of the outstanding claim, the Company issued a bank draft of MYR316,000 (equivalent to \$103,000) to the bank and the amount of \$103,000 is recognised under other losses (Note 6) in the reporting year ended 31 December 2017. On 19 September 2018, the high court dismissed the bank's appeal and the case is settled. Accordingly there is no contingent liability in respect of this matter as at the reporting year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

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27. Commitments and related matters

Arising from the land use rights (“LURs”) acquired (Note 17), the Group was originally scheduled to commence development on the land before 1 November 2011 and complete development on the land by 31 December 2012.

The original terms of the agreement stipulated that, in the event if there is any delay in the commencement of the development, approval for extension must be sought from the authorities 30 days in advance. Failure to do so would result in a penalty of 0.015% on the total purchase consideration per day.

Prior to 30 June 2015, the Group obtained a series of extensions from local authorities for the development on the land to be completed by 30 June 2015. In the event that the Group is not able to complete development within the stipulated period, by 30 June 2015, approval for extension must be sought from the authorities six months in advance.

As at the date of these financial statements, the Group has yet to commence development on the land and management have not applied for a further extension for development since 30 June 2015. Accordingly, the potential penalty of 0.015% on the total purchase consideration per day imposed per the terms of the original agreement amounts to \$546,000 comprises of \$78,000, \$156,000, \$156,000 and \$156,000 for the reporting years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 respectively.

There is uncertainty over the future developments of the LURs. In the event that the Group is able to identify a buyer and successfully transfer the LUR to the buyer with the approval of the relevant authority, such a successful withdrawal may result in an upward or downward adjustments to the recoverable values. The Group is in discussion with certain parties and it has not been successful to date. Separately, management is exploring alternative to develop the land in phases should the withdrawal from the LUR agreement is not successful.

In this regard, future outcome is uncertain and depending on the future developments, adjustments may be required to increase or reduce the carrying value.

In addition, as the land has been left idle for more than 2 years, the potential amount at risk to the Group arising from the confiscation of the land would be the remaining carrying amount of the land amounting to \$1,184,000 as at 31 December 2018 (2017: \$1,280,000) (see Note 17).

28. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Contractual obligations to construct property	953	–	–

NOTES TO THE FINANCIAL STATEMENTS

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29. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Not later than one year	690	134	261
Later than one year and not later than five years	284	25	24
	<u>974</u>	<u>159</u>	<u>285</u>
Rental expense for the year	<u>691</u>	<u>620</u>	<u>977</u>

Operating lease payments represent rentals payable by the Group for certain of its owned leasehold properties. The lease rental terms are negotiated for term of 3 months to 3 years (2017: 3 months to 3 years).

30. Financial instruments: information on financial risks

30A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Financial assets:</u>			
Financial assets at amortised cost	<u>12,810</u>	<u>10,989</u>	<u>20,747</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	<u>13,069</u>	<u>7,648</u>	<u>15,567</u>
	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
<u>Financial assets:</u>			
Financial assets at amortised cost	<u>7,935</u>	<u>10,299</u>	<u>11,974</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	<u>2,435</u>	<u>2,655</u>	<u>6,328</u>

Further quantitative disclosures are included throughout these financial statements.

30B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. Financial instruments: information on financial risks (cont'd)

30B. Financial risk management (cont'd)

The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of “natural hedge”: favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.
5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

30C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

30D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 21 discloses the maturity of cash and cash equivalent balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

Other receivables are normally with no fixed terms and therefore there is no maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. Financial instruments: information on financial risks (cont'd)

30E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than one year \$'000	Two to five years \$'000	More than five years \$'000	Total \$'000
31 December 2018				
Other financial liabilities	1,036	81	2,826	3,943
Trade and other payables	9,282	–	–	9,282
At end of the year	<u>10,318</u>	<u>81</u>	<u>2,826</u>	<u>13,225</u>
31 December 2017				
Other financial liabilities	555	99	1,837	2,491
Trade and other payables	5,254	–	–	5,254
At end of the year	<u>5,809</u>	<u>99</u>	<u>1,837</u>	<u>7,745</u>
1 January 2017				
Other financial liabilities	1,810	84	–	1,894
Trade and other payables	13,680	–	–	13,680
At end of the year	<u>15,490</u>	<u>84</u>	<u>–</u>	<u>15,574</u>
Company				
31 December 2018				
Other financial liabilities	34	–	–	34
Trade and other payables	2,402	–	–	2,402
At end of the year	<u>2,436</u>	<u>–</u>	<u>–</u>	<u>2,436</u>
31 December 2017				
Other financial liabilities	50	34	–	84
Trade and other payables	2,574	–	–	2,574
At end of the year	<u>2,624</u>	<u>34</u>	<u>–</u>	<u>2,658</u>
1 January 2017				
Other financial liabilities	1,810	84	–	1,894
Trade and other payables	4,441	–	–	4,441
At end of the year	<u>6,251</u>	<u>84</u>	<u>–</u>	<u>6,335</u>

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The maturity of the financial guarantees are less than one year (see Note 26).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. Financial instruments: information on financial risks (cont'd)

30E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2017: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

30F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rate and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Financial liabilities with interest:			
Fixed rate	197	192	127
Floating rate	3,590	2,202	1,760
Total at end of the year	<u>3,787</u>	<u>2,394</u>	<u>1,887</u>
	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Financial liabilities with interest:			
Fixed rate	33	81	127
Floating rate	–	–	1,760
Total at end of the year	<u>33</u>	<u>81</u>	<u>1,887</u>

The floating rate debt asset instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

30G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. Financial instruments: information on financial risks (cont'd)

30G. Foreign currency risks (cont'd)

Group	US Dollars \$'000	Sterling Pound \$'000	Euro \$'000	Japanese Yen \$'000	Total \$'000
<u>As at 31 December 2018:</u>					
<u>Financial assets:</u>					
Cash	721	483	58	31	1,293
Receivables	438	–	369	160	967
Total financial assets	1,159	483	427	191	2,260
<u>Financial liabilities:</u>					
Borrowing	–	–	128	–	128
Payables	624	63	456	350	1,493
Total financial liabilities	624	63	584	350	1,621
Net financial assets (liabilities) at end of the year	535	420	(157)	(159)	639

Group	US Dollars \$'000	Sterling Pound \$'000	Euro \$'000	Australian Dollars \$'000	Total \$'000
<u>As at 31 December 2017:</u>					
<u>Financial assets:</u>					
Cash	774	122	53	–	949
Receivables	6	8	7	45	66
Total financial assets	780	130	60	45	1,015
<u>Financial liabilities:</u>					
Payables	772	25	208	–	1,005
Total financial liabilities	772	25	208	–	1,005
Net financial (liabilities) assets at end of the year	8	105	(148)	45	10

As at 1 January 2017:

Financial assets:

Cash	115	497	171	–	783
Receivables	63	104	122	82	371
Total financial assets	178	601	293	82	1,154

Financial liabilities:

Payables	605	350	1,317	–	2,272
Total financial liabilities	605	350	1,317	–	2,272
Net financial (liabilities) assets at end of the year	(427)	251	(1,024)	82	(1,118)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. Financial instruments: information on financial risks (cont'd)

30G. Foreign currency risks (cont'd)

Company	US Dollars \$'000	Sterling Pound \$'000	Euro \$'000	Japanese Yen \$'000	Total \$'000
<u>As at 31 December 2018:</u>					
<u>Financial assets:</u>					
Cash	397	91	8	31	527
Receivables	9	–	–	–	9
Total financial assets	406	91	8	31	536
<u>Financial liabilities:</u>					
Payables	209	2	19	–	230
Total financial liabilities	209	2	19	–	230
Net financial assets (liabilities) at end of the year	197	89	(11)	31	306

Company	US Dollars \$'000	Sterling Pound \$'000	Euro \$'000	Total \$'000
<u>As at 31 December 2017:</u>				
<u>Financial assets:</u>				
Cash	624	89	13	726
Receivables	6	–	–	6
Total financial assets	630	89	13	732
<u>Financial liabilities:</u>				
Payables	214	1	22	237
Total financial liabilities	214	1	22	237
Net financial assets (liabilities) at end of the year	416	88	(9)	495

As at 1 January 2017:

<u>Financial assets:</u>				
Cash	19	465	71	555
Receivables	46	104	2	152
Total financial assets	65	569	73	707
<u>Financial liabilities:</u>				
Payables	221	343	39	603
Total financial liabilities	221	343	39	603
Net financial assets (liabilities) at end of the year	(156)	226	34	104

There is exposure to foreign currency risk as part of its normal business.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

30. Financial instruments: information on financial risks (cont'd)

30G. Foreign currency risks (cont'd)

Sensitivity analysis:

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the following currencies with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of:			
- Australian Dollar	-	(5)	(8)
- Euro	16	15	102
- Japanese Yen	16	-	-
- Sterling Pound	(42)	(10)	(25)
- US Dollars	<u>(53)</u>	<u>(1)</u>	<u>43</u>

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the following currencies with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of:			
- Euro	1	1	(3)
- Japanese Yen	(3)	-	-
- Sterling Pound	(9)	(9)	(23)
- US Dollars	<u>(20)</u>	<u>(42)</u>	<u>16</u>

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction on the profit or loss.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at end of reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

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31. Changes and adoption of financial reporting standards

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the group has adopted all the SFRS(I) which are effective for annual reporting periods beginning on or after 1 January 2018.

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

<u>SFRS (I) No.</u>	<u>Title</u>
SFRS(I) 1-28	Amendments to, Investments in Associates and Joint Venture – Sale or Contribution of Assets
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 2	Amendments to, Classification and Measurement of Share-based Payment Transactions
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

32. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Adoption of the applicable new or revised standards are expected to result in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement. Those that are expected to have a material impact are described below.

<u>SFRS (I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS(I) 1-28	Amendments: Long-Term Interests In Associates And Joint Ventures	1 January 2019
SFRS(I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 January 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 January 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 January 2019
SFRS(I) 11	Improvements (2017) – Amendments: Joint Arrangements	1 January 2019
SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

32. New or amended standards in issue but not yet effective (cont'd)

SFRS(I) 16 Leases

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments of \$974,000 as at 31 December 2018 shown in Note 29, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The table below shows the amount by which each financial statement line item is impacted debits / (credits) in the reporting year 2019 by the application of the new standard on leases:

	Group 31.12.2018 \$'000
<u>Statement of financial position:</u>	
Right to use assets	939
Lease liabilities	<u>(939)</u>

There is no impact on profit after tax.

STATISTIC OF SHAREHOLDINGS

AS AT 18 MARCH 2019

NUMBER OF SHARES : 214,202,036

CLASS OF SHARES : ORDINARY SHARES

VOTING RIGHTS : ONE VOTE FOR EACH ORDINARY SHARE

NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD : NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1-99	10	0.95	57	0.00
100-1,000	355	33.68	353,124	0.17
1,001-10,000	400	37.95	1,994,332	0.93
10,001-1,000,000	278	26.38	26,262,385	12.26
1,000,001 & ABOVE	11	1.04	185,592,138	86.64
TOTAL	1,054	100.00	214,202,036	100.00

TOP TWENTY SHAREHOLDERS AS AT 18 MARCH 2019

	NO. OF SHARES	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
KOH CHIN HWA	5,822,000	2.72
TAN KIM TEE	3,001,000	1.40
DBS NOMINEES PTE LTD	2,649,238	1.24
GOH BOON KOK	2,150,000	1.00
RAFFLES NOMINEES (PTE) LIMITED	1,338,400	0.63
KOK WEI JIAN ALEX (GUO WEIJIAN ALEX)	1,209,000	0.56
UOB KAY HIAN PTE LTD	1,141,000	0.53
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,100,000	0.51
KOH CHIN SAN JEREMY	1,038,000	0.49
KOH HOO KWEE	1,006,000	0.47
KOH GUAT YING BETTY	999,000	0.47
ONG HOCK HAI	903,000	0.42
TAN THIAN TIN	781,000	0.36
YAP CHING SEOW	615,000	0.29
LAU CHAN @LUA CHAN	600,000	0.28
TAN LYE SENG	570,000	0.27
HENG THENG LIAN (WANG CHENGLIANG)	515,338	0.24
LEE CHEE KWAN	513,000	0.24
KOH GUAT TIN	490,000	0.23
	191,578,476	89.44

STATISTIC OF SHAREHOLDINGS

AS AT 18 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2019 as recorded in the Register of Substantial Shareholders

NAME OF SHAREHOLDINGS	NO. OF SHARES			
	DIRECT INTEREST	%	DEEMED INTEREST	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09	-	-
RICHARD KOH CHYE HENG ⁽¹⁾	-	-	165,137,500	77.09
KOH EDDIE ⁽²⁾	-	-	165,137,500	77.09
INDRIATI KHOE ⁽³⁾	-	-	165,137,500	77.09

Notes:

- (1) Mr Richard Koh Chye Heng is deemed to have an interest in the shares held by Xu Jia Zu Holdings Pte Ltd by virtue of his holding more than 20% of the total issued shares in Xu Jia Zu Holdings Pte Ltd. Mr Richard Koh Chye Heng is holding 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's Constitution, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.
- (2) Mr Koh Eddie is deemed to have an interest in the shares held by Xu Jia Zu Holdings Pte Ltd by virtue of his holding of more than 20% of the total issued shares in Xu Jia Zu Holdings Pte Ltd.
- (3) Ms Indriati Khoe is deemed to have an interest in the shares held by her spouse, Mr Koh Eddie, in Xu Jia Zu Holdings Pte Ltd.

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

As at 18 March 2019, approximately 22.90% of the issued ordinary shares of the Company are held by the public. Accordingly, Rule 723 of the Listing Manual Section B: Rules of the Catalist issued by the SGX-ST has therefore been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Monday, 29 April 2019 at 10.00 a.m. (the “Meeting”) to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Financial Statements for the financial year ended 31 December 2018 and the Auditor’s Report thereon. **(Resolution 1)**

2. To re-elect Mr Richard Koh Chye Heng, who is retiring pursuant to Article 107 of the Constitution of the Company. **(Resolution 2)**

Mr Richard Koh will, upon re-election as Director of the Company, remain as Executive Chairman of the Company. Mr Richard Koh (Executive Chairman) is the (1) father of the Managing Director cum Chief Executive Officer, Mr Koh Eddie; (2) father-in-law of the Non-Executive Director, Ms Indriati Khoe; and (3) Father of the Managing Director of Pan Asian Flow Technology Pte. Ltd., Ms Kelly Koh. The detailed information of Mr Richard Koh can be found under “Board of Directors” and “Corporate Governance Statement” in the Company’s Annual Report 2018.

3. To re-elect Mr Wu Yu Liang, who is retiring pursuant to Article 107 of the Constitution of the Company. **(Resolution 3)**

Mr Wu Yu Liang will, upon re-election, continue to serve as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. He is considered independent for the purpose of Rule 704(7) of the Catalist Rules. Save as disclosed herein, Mr Wu does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders. The detailed information of Mr Wu can be found under “Board of Directors” and “Corporate Governance Statement” in the Company’s Annual Report 2018.

4. To approve Directors’ fees of S\$137,000 for the financial year ending 31 December 2019 (FY2018: S\$137,000). **(Resolution 4)**

5. To re-appoint RSM Chio Lim LLP as auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution with or without any modifications:

7. Authority to allot and issue shares and convertible securities

(Resolution 6)

- (a) That pursuant to Section 161 of the Companies Act, Cap. 50, and the Catalist Rules, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
- (i) issue shares in the capital of the Company (the “shares”) whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company.

NOTICE OF ANNUAL GENERAL MEETING

For the purpose of this resolution, the total number of issued shares excluding treasury shares and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares and subsidiary holdings at the time this resolution is passed, after adjusting for:

- a) new shares arising from the conversion or exercise of convertible securities, or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and
 - b) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note 1)

BY ORDER OF THE BOARD

Low Mei Wan
Company Secretary

12 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:

1. Resolution 6, if passed, will empower the Directors, from the date of this Meeting until the next annual general meeting, to allot and issue new shares and/or convertible securities in the Company including a rights or bonus issue without seeking further approval from shareholders in general meeting for such purposes as the Directors consider would be in the best interests of the Company. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in the Resolution.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under its common seal or under the hand of its representative or attorney duly authorised.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Kallang Avenue, CT Hub, #06-03, Singapore 339407, not less than forty-eight (48) hours before the time appointed for the Meeting.
5. A depositor shall not be regarded as a member of the Company entitled to attend and vote at the Meeting unless his name appears on the Depository Register not less than seventy-two (72) hours before the time of the Meeting. In view of Section 81SJ(4) of the Securities and Futures Act, a Depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to speak and vote thereat unless his name appears in the Depository Register maintained by the The Central Depository (Pte) Limited ("CDP") at least seventy-two (72) hours before the Meeting. Any Shareholder who is holding his shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the Meeting will not be entitled to attend and vote at the Meeting. Accordingly, even if such shareholder deposits his proxy form forty-eight (48) hours before the Meeting, his proxy will not be entitled to attend and vote at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PAN ASIAN HOLDINGS LIMITED

(Company Registration No.: 197902790N)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Pan Asian Holdings Limited's shares, this Report is forwarded to them at the request of their Agent Banks/SRS Operators and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. A CPF/SRS investor who wishes to attend the Annual General Meeting as proxy has to submit his request to his Agent Bank/SRS Operator so that his Agent Bank/SRS Operator may appoint him as its proxy within the specified timeframe.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

PROXY FORM

*I/We _____ (Name)

of _____ (Address)

being a member/members of Pan Asian Holdings Limited (the "Company"), hereby appoint

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

and/or (delete as appropriate)

(b)				
-----	--	--	--	--

or failing *him/them, the Chairman of the Annual General Meeting of the Company ("Meeting") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf, at the Meeting to be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Monday, 29 April 2019 at 10.00 a.m. and at any adjournment thereof. In the absence of specific directions, the *proxy/proxies will vote or abstain from voting as *he/they may think fit, as *he/they may on any other matter arising at the Meeting.

No.	Resolutions	For#	Against#
Ordinary Business			
1.	To adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2.	To re-elect Mr Richard Koh Chye Heng as Director		
3.	To re-elect Mr Wu Yu Liang as Director		
4.	To approve the Directors' Fees for the financial year ending 31 December 2019		
5.	To re-appoint RSM Chio Lim LLP as Auditors		
Special Business			
6.	To authorise the Directors to issue shares and convertible securities		

If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

Dated this _____ day of _____ 2019

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

Signature(s) of individual Shareholder /
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

**Delete where applicable.*

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 ("SFA")), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number of shares is inserted, this proxy form will be deemed to relate to all the shares held by you.
2.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Kallang Avenue, CT Hub, #06-03, Singapore 339407, not less than forty-eight (48) hours before the time set for the Meeting. In view of Section 81SJ(4) of the SFA, a Depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the Central Depository (Pte) Limited ("CDP") at least seventy-two (72) hours before the Meeting. Any Shareholder who is holding his shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the Meeting will not be entitled to attend and vote at the Meeting. Accordingly, even if such shareholder deposits his proxy form forty-eight (48) hours before the Meeting, his proxy will not be entitled to attend and vote at the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its representative or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must be lodged with the instrument of proxy, failing which, the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy.



Pan Asian Holdings Limited

百益胜控股有限公司

(Company Registration No.: 197902790N)

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