



**SINCAP GROUP**

**SINCAP GROUP LIMITED**

(Incorporated in the Republic of Singapore on 10 March 2010)  
(Company Registration No.: 201005161G)



# ANNUAL REPORT 2019

*This Annual Report has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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# Corporate Profile

“In FY2019, the Group is focusing on developing and strengthening core businesses to create value for all stakeholders and to be operationally ready to seize the opportunity to transform the Group.”

The Group began its core operations in gypsum mining in 1999. In 2005, the Group expanded its operations into alumina trading and started trading in coal in 2011. The Group has since established a wide network of suppliers and customers in the PRC for these commodities and was listed on the Catalist Board of Singapore Exchange Limited in 2012. In 2015, the Group had acquired 51% stake in Orion Energy Resources Pte. Ltd. (“Orion”), a company engaged in, inter alia, the trading of thermal coal. This said acquisition is in line with the Company’s overall growth strategy to expand and grow revenues under its business of mineral and resources trading. In 2017, the Group underwent restructuring as it disposed of its gypsum and alumina mining operations to focus on the trading business of thermal coal. In 2018, the Group acquired additional 48.97% stake in Orion to enhance shareholder value.



# Corporate Structure



# Chairman's Message



## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you Sincap Group Limited's ("Sincap", and together with its subsidiaries, collectively the "Group") annual report for the financial year ended 31 December 2019 ("FY 2019").

FY 2019 has been an encouraging year for the Group despite uncertain market conditions and macroeconomic headwinds. This shows that our efforts at growing our business continued to generate positive results.

## Financial Review

The Group's revenue from continuing operations increased by RMB63.3 million or 24%, from RMB267.4 million in FY2018 to RMB330.7 million in FY2019. The revenue from sales of coal amounts to 100% of the Group's total revenue in FY2019.

The Group's gross profit increased by RMB2.5 million or 18%, from RMB13.9 million in FY2018 to RMB16.4 million in FY2019. The Group's overall gross profit margin of 5.0% for FY2019 remained at a similar level to that recorded in FY2018 of 5.2%.

Administrative expenses decreased by RMB0.3 million or 3%, from RMB9.9 million in FY2018 to RMB9.6 million in FY2019. This was mainly due to decrease in professional fees incurred.

Finance costs in FY2019 is mainly contributed by interest expense relating to the Bond arising from previous year acquisition of additional stake in a subsidiary, namely Orion Energy Resources Pte Ltd ("Orion").

Other expenses in FY2019 was mainly derived from foreign exchange differences.

Consequently, we posted a profit after tax of RMB2.3 million, compared to a profit after tax of RMB2.8 million in FY2018.

From a balance sheet standpoint, the Group generates positive cash flow from operations of RMB45.1 million in FY2019. Net debt position was RMB44.5 million for FY2019, with net gearing remained low at 17%. The Group's equity attributable to holders of the Company increased by RMB6.6 million, from RMB214.3 million in FY2018 to RMB220.9 million in FY2019.

# Chairman's Message

## Operation Review

The import restrictions of seaborne thermal coal have since eased in 2019, as reflected by increased trading activity across key Asian thermal markets. This has contributed to the increase in sales volume in Orion from 897,000 Metric Tonne ("MT") in FY2018 to 1,152,000 MT in FY2019. During the year, Orion had entered into fixed term coal contracts with suppliers and customers, which provided greater certainty over the volume of the coal purchased and sold. Revenue from fixed term coal contracts generally attract lower but stable margins.

The solid set of results delivered this year bears testimony to our ability to remain nimble amidst a rapidly evolving economic landscape. Going forward, the Board will continue to work closely with the management to strengthen the financial position of the Group to be ready to take on new challenges ahead.

## Outlook and strategy

China's inland coal consumption is expected to remain stable in 2020 as domestic coal sales volume and the average weekly burn from 6 major power plants seemed stable in the year 2019, according to a research report by DBS Research Group, despite lingering uncertainties arising from the prolonged US-China trade war. This indicates that there was no structural weakening of coal consumption in China despite the country's effort to move towards renewable energy.

The current COVID-19 epidemic has caused China's domestic coal mines to struggle to ramp up production. While this may increase the demand for imported coal in China, it would be more challenging for shippers to find vessels to deliver to China. Also, unloading cargoes at China's ports and transporting them to end-users could face disruption as well. The Group is closely monitoring the development of the COVID-19 outbreak and will adjust business strategies to better mitigate against challenges posed by this outbreak.

The Group is in a stable financial position with positive revenue generation outlooks for the FY2020. With a strong balance sheet and solid cash generation, the Group has always been on an active lookout for accretive acquisitions, and seek partners to improve its operations.

## Changes to the Board

As announced to the shareholders on 16 August 2019, Mr Charles Chew ceased to be an independent director of the Company with effect from 17 August 2019. On behalf of all shareholders, I thank Mr Charles for his contribution to the Board and the Group and wish him all the best for the future. On the other hand, we are pleased to extend our warmest welcome to Mr. William Chia Soon Hin who recently joined us as an Independent Director in November 2019. The Group looks forward to tapping on his expertise and background to complement the diversity of our Board.

I am confident that Sincap Group, led by our Board of Directors, is well placed to continue delivering shareholder value and returns which are crucial to the success of our Group.

## Acknowledgements

I am very thankful to have the support and guidance of our Board and the management team in their efforts to provide reliable and trustworthy services. Also, I would also like to thank our valued shareholders for your understanding and support, and our customers and business partners for their continued patronage and support. We believe that Sincap Group is an undervalued company with strong growth potential ahead. As we begin the new chapter together, let us look forward to a stronger FY2020.

## Chu Ming Kin

Executive Chairman & CEO

# Board Of Directors

## **CHU MING KIN**

*Executive Chairman and Chief Executive Officer*

Mr Chu Ming Kin, aged 55, was appointed as Non-Executive Director to the Board on 6 April 2015 and became the Executive Chairman and Chief Executive Officer with effect from 30 April 2015 and 7 July 2015 respectively. Currently, Mr Chu Ming Kin is responsible for devising business strategy and direction, and overseeing the Group's operations, including the mining and trading businesses and the property business. Leveraging on more than 20 years of experiences in trading and overall plantation of agricultural tapioca chips in Thailand, Vietnam and Indonesia, Mr Chu Ming Kin has accumulated skills to maintain the best purchasing, logistic and operating systems, handle shipments, and strong understanding in procurement. Mr Chu Ming Kin established strong logistic and business systems, adding value to the tapioca company and pursuant to such successful systems in all business aspects, the said tapioca company became a listed company on Hong Kong Exchange Main Board. With all of his achievement in Thailand, Mr Chu Ming Kin is also appointed as Committee of The Thai Tapioca Trade Association. Following the listing of the tapioca company, Mr Chu Ming Kin left the tapioca business to venture into the coal business. With his in-depth knowledge and understanding of bulk cargo, he started the coal trading business. With many years of experience in Indonesia, Mr Chu Ming Kin understands the Indonesian local culture and people well, allowing him to build a solid team and strong relations with suppliers. Mr Chu Ming Kin's successful logistic and business systems in agriculture (tapioca) products are being implemented for the coal trading business and to create a strong supply chain to establish an excellent procurement system.

## **ROBBY**

*Executive Director*

Mr Robby was initially appointed as our Independent Director on 4 April 2017 and was re-designated to become the Executive Director with effect from 5 July 2018. He is also appointed as Chief Operating Officer of Orion Energy Resources Pte. Ltd. Mr Robby brings to the Group an extensive coal trading experience from holding a variety of senior positions in the Indonesian mining industry. He started his career as an auditor with Pt Taxforte Consult, and became the Chief Financial Officer in Pt. Grand Mitra Sukses in 2011. Mr Robby has more than 10 years of accounting and finance experience, having been involved in both operational and strategic levels. Mr Robby graduated from University of Tarumanagara, Jakarta with a Bachelor of Accounting.

Mr Robby is due for re-election as Director at the forthcoming AGM.

## **TENG WAI LEUNG WILSON**

*Independent Director*

Mr Teng Wai Leung Wilson ("Mr. Wilson Teng") was appointed to the Board on 2 April 2018 as an Independent Director, and designated as Lead Independent Director on 18 September 2018. He previously served as the Chief Executive Officer and Executive Director of Datapulse Technology Limited. Mr Wilson Teng has over twenty years working experience in the data centre and technology industry in Singapore, Hong Kong, China and Asia, with a focus on sales management, strategy and complex transactional deal experience. During his tenure at TInet (currently GTT Communications), Mr Wilson Teng was responsible for all business planning, recruiting and sales activities for key and emerging markets in the IP Transit/data/colocation services. Mr Wilson Teng developed strategic executive level partnerships with key clients, growing business in Asia by 25% annually from FY2008 to FY2012. As the Vice President of iAdvantage's (listed on the Hong Kong Stock Exchange as SUNeVision Holdings Limited) Sales and Business Development division, Mr Wilson Teng built and executed the go-to market strategy across the Asia Pacific region, building a business and sales operations team that addressed new markets as well as existing customers ranging from Google, Microsoft, UBS, Alibaba, Facebook, Singtel and other key ecosystem players. Mr Wilson Teng holds a Masters of Business Administration from California State University and holds strong executive relationships with many industry leaders of enterprises and well established partners gained during his tenure with iAdvantage, Digital Realty (listed on the New York Stock Exchange as DLR) and TInet (currently GTT Communications).

# Board Of Directors

## LEE CHONG YANG

*Independent Director*

Lee Chong Yang (“Mr Lee”) was appointed as an Independent Director of the Company on 12 June 2018. Mr Lee is the co-founder of MoovPay Global Pte. Ltd., a licensed acquirer payment platform that processes card payments for business-to-business (B2B) and business-to-consumer (B2C) transactions. He was Vice President of ICH-Gemini Pte. Ltd. where, as a fund manager, he helped various companies to develop their full potential by providing access to international capital markets, offering optimal solutions to capital structure and finding strategic partners to maximize returns. Prior to that he was a successful private banker with UBS AG Singapore and Standard Chartered Private Bank, winning multiple awards. Mr Lee graduated from Nanyang Technological University with a Bachelor of Mechanical and Production Engineering (Honours) and has a Certificate in Private Banking from the Wealth Management Institute, as well as a Private Banking and Wealth Management Diploma from UBS AG.

## CHIA SOON HIN WILLIAM

*Independent Director*

Mr Chia Soon Hin William (“Mr Chia”) was appointed as Independent Director of the Company on 6 November 2019. He is also the Chairman of the Audit & Risk Committee and Member of the Nominating Committee and Remuneration Committee. He is concurrently an Independent Director on the boards of two other Catalyst companies. Mr Chia provides training for financial institutions and business advisory to corporations through his company, Xie Capital Pte Ltd, and has more than 35 years of retail and commercial banking experience with Overseas Union Bank, Standard Chartered Finance, DBS Bank, Malayan Banking Berhad and United Overseas Bank. Prior to his retirement from United Overseas Bank in October 2014, he was Executive Director with the bank’s Group Commercial Banking. Mr Chia is a Chartered Secretary and Associate of the Governance Institute of Australia, Fellow with the Chartered Institute of Marketing UK, and Associate with the Chartered Institute of Bankers UK. He was conferred IBF Fellow by the Institute of Banking and Finance Singapore in November 2014.

Mr Chia is due for re-election as Director at the forthcoming AGM.

# Key Management

## YAU WOON SOON

*Chief Financial Officer*

Mr. Yau Woon Soon joined the Company as Financial Controller on 11 July 2017 and was subsequently appointed as the Chief Financial Officer with effect from 12 June 2018. He is responsible for the overall financial, accounting, compliance reporting and internal control functions of our Group. He is also in-charge of liaising with and reporting to our Audit Committee on the Group's accounting and financial matters. Mr. Yau started his career as an auditor with Ernst & Young and subsequently joined Shell Business Operations as a management accountant. Before joining the Group, he was the financial controller for Kingsman Wine and Spirits Pte. Ltd.

Mr. Yau is a non-practising member of the Association of Chartered Certified Accountants.

## ANDHIKA PRATAMA NURDIN

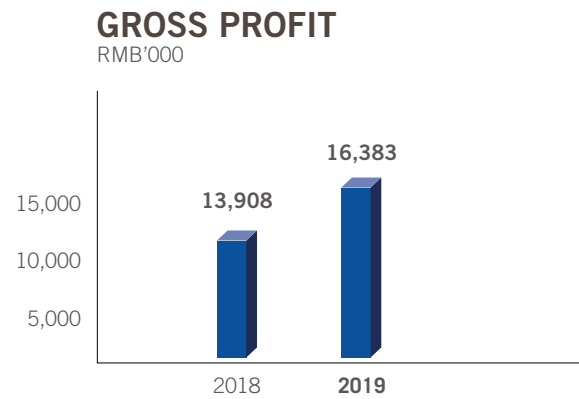
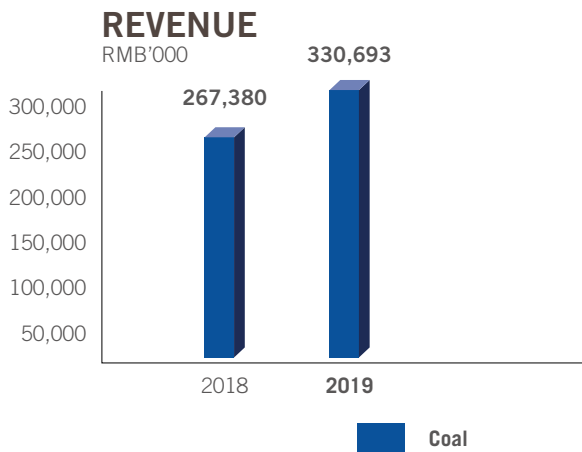
*Financial Controller (Resigned with effect from 30 December 2019)*

Andhika Pratama Nurdin Financial Controller Mr. Andhika Pratama Nurdin joined the Company as Financial Controller on 12 June 2018, and is responsible for all finance matters of the Company. Prior to joining the Company, he had several years of experience as a financial auditor and was previously an Assistant Manager at KAP Siddharta Widjaja, a member firm of KPMG. He graduated from Tarumanagara University with a Bachelor's degree in Accountancy majoring in Taxation in 2009, and also completed a Financial Accounting course in 2013. He is a member of the Institute of Indonesia Chartered Accountants since 2013.

# Group Financial Highlights

FOR THE YEAR (RMB'000)	FY2019	FY2018
Revenue	330,693	267,380
Earning before interest expenses, tax, depreciation and amortisation (EBITDA)	15,198	8,442
Profit before tax	4,003	4,190
Net profit / (loss) after tax and non-controlling interest	2,267	(731)
<b>At year end (RMB'000)</b>		
Total Assets	275,690	282,356
Net tangible assets	206,148	200,866
Total shareholders' equity	220,873	214,300
Total liabilities	54,772	68,015
Bank and cash balances	8,426	13,000
<b>Per share (RMB cents)</b>		
(Losses) / Earnings		
- basic and fully diluted	0.13	(0.06)
No of shares as at 31 December	1,701,000,410	1,701,000,410
Net assets value	13.0	12.6
Net tangible assets	12.1	11.8





#### Updates on Audit Issues pursuant to Paragraph 3A of Appendix 7C of the Catalyst Rules

With regard to the qualified opinion issued by the Group's independent auditor in relation to the Group's audited financial statements for FY2019 (the basis of which is set out on pages 64 to 68 of this annual report), the Company wishes to provide an update on the efforts taken to address the basis for the qualified opinion to date. Shareholders are advised to read the audited financial statements accompanying this annual report in conjunction with the updates set out below.

##### 1. Trade Receivables

Although the credit risk for Artwell Minerals Resources Pte Ltd ("Artwell") has increased due to slow repayment, the Company, together with Board, have assessed and are of the view that no allowance for expected credit losses is necessary in FY2019 given that:

- (i) Historical repayment trend of Artwell had been prompt in FY2018 and there were no receivables that were past due in FY2018;
- (ii) Orion still managed to collect payment from Artwell up till November 2019;
- (iii) Artwell has been forthcoming and cooperative in discussions in resolving the issue of repaying their debts;
- (iv) Artwell has committed to a fixed minimum monthly repayment of US\$1 million under a repayment schedule starting 28 March 2020 (the "Repayment Schedule") until the outstanding trade receivables balances (the "Outstanding Amount") is settled in full. The outstanding amount bears an interest of 7.5% per annum;
- (v) Orion has received USD1.6 million by 23 March 2020, which is beyond the amount stated in the Repayment Schedule of USD 1 million for March 2020;
- (vi) The Company has done insolvency checks on Artwell, and there were no related outstanding bankruptcy/winding up petition found; and

- (vii) Artwell's sole shareholder and director is the brother of the Company's Chief Executive Officer ("CEO"), Mr. Chu Ming Kin ("Ken"). Ken has represented that he has maintained a very good relationship with Artwell and is very confident in recovering the outstanding amount from Artwell. The Audit Committee has accepted the CEO's representation that there is no evidence of communication breakdown between Orion and Artwell.

As the credit risk for Artwell has increased, there is a possibility that Artwell might not adhere fully to the agreed Repayment Schedule. Although the Board has not made any assessment on the creditworthiness of Artwell, the Board is nevertheless confident that Artwell will make payment taking into consideration the factors disclosed above.

In addition, as Artwell has managed to meet the minimum repayment amount committed to under the Repayment Schedule for March 2020, at present, there is no indication that Artwell's ability to repay its debts has been adversely affected by Covid-19, especially when the current outbreak situation in China has stabilised and is gradually improving. Nevertheless, the Company is closely monitoring the development of the Covid-19 situation and has been in close contact with both the management and board of Artwell, in order to be responsive and will update shareholders on material developments as and when they arise.

##### 2. Valuation of Bond

With respect to the second basis for the qualified opinion, in order to satisfy the auditor as to the valuation and carrying value of the Bond at initial recognition and as at 31 December 2019, there is a need to engage professional valuer service. The Company has decided that it would not be economically beneficial to the Company to perform the valuation, given that substantial amount of the Bond of RMB47,555,000 had been redeemed in FY2019 via cash and the Company intends to resolve this issue by fully redeeming the Bond in cash.

The board confirms that the impact of all outstanding audit issues has been adequately disclosed.

# Corporate Information

## BOARD OF DIRECTORS

Chu Ming Kin	(Executive Chairman and Chief Executive Officer)
Robby	(Executive Director)
Wilson Teng	(Lead Independent Director)
Lee Chong Yang	(Independent Director)
Chia Soon Hin William	(Independent Director)

## COMPANY SECRETARY

Ong Le Jing

## REGISTERED OFFICE

6 Eu Tong Sen Street,  
#07-20 Singapore 059817  
Tel: +65 6570 1788  
Fax: +65 6570 1488

## PRINCIPAL PLACE OF BUSINESS

Orion Energy Resources Pte Ltd  
6 Eu Tong Sen Street,  
#07-20 Singapore 059817

Sincap Properties Pte Ltd  
6 Eu Tong Sen Street,  
#07-20 Singapore 059817

SCL Murray Pty Ltd  
Level 1 914 Hay Street Perth  
WA 6000

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

## SPONSOR

Stamford Corporate Services Pte. Ltd.  
10 Collyer Quay  
#27-00 Ocean Financial Centre  
Singapore 049315

## INDEPENDENT AUDITOR

Baker Tilly TFW LLP  
Chartered Accountants of Singapore  
600 North Bridge Road  
#05-01 Parkview Square  
Singapore 188778  
Partner-in-charge: Joshua Ong Kian Guan  
(a member of the institute of Singapore Chartered Accountants)  
(Since the financial year ended 31 December 2015)



# SUSTAINABILITY REPORT

## BOARD'S STATEMENT

### Dear Stakeholders,

We are pleased to present our sustainability report for FY2019 which outlines our commitment in creating a long-term sustainable future. At Sincap Group Limited ("Sincap"), we believe that sustainability is the key consideration in every aspect of our business. We are committed to hear and meet the changing needs of individuals, businesses and communities by ensuring that we always have the right talent and expertise in our Group.

This sustainability report plays an important role in conveying our sustainable efforts to stakeholders. We adopt the Global Reporting Initiative ("GRI") standards of reporting to approach key material aspects on sustainability and how they impact on the Environment, Social and Governance ("ESG") factors. In this report, stakeholders can find disclosures on our sustainability efforts, progress and targets as we strive towards greater value creation.

### **ESG Materiality**

In line with the Singapore Exchange Securities Trading Limited ("SGX-ST") Sustainability Reporting Guide, the Board has taken up the responsibility of overseeing the Group's ESG initiatives. The Board has carefully considered the sustainability topics and had established the material ESG factors that are critical to the Group. This Sustainability Report plays an important role in helping us increase transparency, accountability and progress towards sustainable growth. The accomplishment of our sustainability journey requires ceaseless effort and we are confident that together with our stakeholders, we are able to achieve greater sustainability in our operations.

### **A Path to Sustainable Growth**

The Group's total stake in Orion Energy Resources Pte. Ltd. ("Orion"), our coal trading subsidiary, is approximately at 99.97%. This allows the Group to be in a better stance to influence the use of Orion's resources and its business direction, which includes the introduction of sustainable eco-coal to other regions within China and the rest of the world. In FY2019, Orion has contributed to the Group's revenue and profit after tax in the amounts of USD 47.92 million and USD 1.35 million respectively.

Moving forward, the principal business activities of the Group shall be the sales and trading of minerals and logistics management, as well as property development and property investment. The Group is looking to expand its existing core businesses to include the marine and shipping logistics business ("Logistics Business") and investments in the technology sector ("Technology Business").

### **Acknowledgements**

The success of our sustainability journey requires the collaboration and continued efforts from all stakeholders. We would like to take this opportunity to express our gratitude towards the Board, Management and Staff for their boundless support and commitment to our sustainability goals. We will continue to strive for scaling greater heights and creating greater value for all our stakeholders in the year ahead.

### **Mr Chu Ming Kin**

*Executive Chairman & Chief Executive Officer  
Sincap Group Limited*

# SUSTAINABILITY REPORT

## ABOUT THE GROUP

Incorporated since 1999, Sincap Group Limited (“Sincap” or the “Group”) specialises in thermal coal trading. The Group oversees the entire process from the sourcing of coal in Indonesia to the delivery of such coal to end customers, thus offering convenience for our customers. The Group’s core strategy in the commodities trading market lies within having robust connections with our suppliers and customers. Being in the industry for more than a decade, the Group has accumulated vast and valuable experience in managing the difficulties and operational challenges.

With our most valuable asset being our network of suppliers and customers, of whom we have established good business relationships with, the Group strives to create more value for our esteemed customers. The Group also possesses profound knowledge of Indonesian coal suppliers and buyers from China, giving the Group a competitive advantage over other coal producers and traders.

## CORPORATE VISION

To be a leading example for the region on sustainable coal trading

## OUR MISSION

To power each and every household of this world, one at a time, with the use of sustainable eco-coal.

# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

### *Scope of Report*

Sincap Group Limited (“Sincap” or the “Group”) is listed on the Catalist of the SGX-ST (Stock Code: SGX:5UN). This is the Group’s third year in publishing its sustainability report publicly, covering the Group’s performance, initiatives and impact of its operations in the aspects of Environmental, Social and Governance (“ESG”). All data and activities reported were from 1 January 2019 to 31 December 2019 unless stated otherwise.

Through this report, the Group hopes to share its commitment in managing the impact of key environmental, social and governance issues with its various stakeholders, including employees, shareholders, business partners, customers and the community.

### *Reporting Framework*

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards – Core option, the international standard for sustainability reporting established by GRI in 2016. The content of this report was defined by the four reporting principles established by GRI Standards: (1) Stakeholder Inclusiveness; (2) Sustainability Context; (3) Materiality; (4) Completeness.

The Stakeholder Inclusiveness principle was implemented in determining the report context through various stakeholder engagements and internal discussions. The Sustainability Context principle was implemented in determining the report context which covered the ESG aspects. The Materiality principle was implemented in determining the report context through stakeholder engagements and internal discussions. All relevant factors were then weighed according to their respective importance to stakeholders, as well as their impact on Sincap’s business. This combined assessment allows Sincap to identify and agree upon the appropriate material ESG aspects for the business. Unless otherwise stated, the report covers the ESG performance of the Group across its core operations in Indonesia, China and Singapore.

### *Report Content & Quality*

This report aims to provide an integrated overview of the Group’s initiatives and strategies related to sustainability and responsible business development. Through these actions, we aim to address the key concerns and issues that Sincap’s stakeholders face. To ensure content quality, we have applied GRI’s principles of accuracy, balance, clarity, comparability, reliability and timeliness.

### *Contact Us*

As part of our ongoing efforts on improving the coverage of our sustainability practices in the report, we welcome stakeholders to submit their questions or feedback on any aspect of our sustainability performance to [info@sincapgroup.com.sg](mailto:info@sincapgroup.com.sg).

# SUSTAINABILITY REPORT

## STAKEHOLDER ENGAGEMENT

At Sincap, we recognise the importance of stakeholder engagement and always believe that communication is of the utmost priority to the success our organisation. We strive to build strong, lasting relationships via several platforms of communications across the Group's stakeholders which include our employees, investors and media, government/ national agencies, the community and customers.

The following table summarises the various stakeholder engagement activities, the key concerns of stakeholders which we have gathered, and our commitments to sustainability to address those key stakeholder concerns.

Stakeholder	Engagement Platforms	Key Feedback/ Issue	Commitments to Sustainability
<b>Employees</b>	<ul style="list-style-type: none"> <li>▪ Annual performance appraisal</li> <li>▪ Staff training</li> <li>▪ Email communication</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee safety and welfare</li> <li>▪ Staff training and development opportunities</li> <li>▪ Work-life balance</li> <li>▪ Remuneration and benefits</li> <li>▪ Fair and competitive employment practices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide fair and equal opportunities to all employees</li> <li>▪ Rewarding performance</li> <li>▪ Create a safe and cohesive working environment</li> </ul>
<b>Investors and Media</b>	<ul style="list-style-type: none"> <li>▪ Annual extraordinary/ general meetings</li> <li>▪ Financial result announcements</li> <li>▪ SGX announcements, media release and interviews</li> <li>▪ Annual report, sustainability report</li> <li>▪ Company website</li> </ul>	<ul style="list-style-type: none"> <li>▪ Return on investment</li> <li>▪ Business growth</li> <li>▪ Business strategy and outlook</li> <li>▪ Risk management</li> <li>▪ Corporate governance</li> <li>▪ Compliance to listing requirements</li> <li>▪ Sustainability performance and reporting standards</li> <li>▪ Timely and transparent reporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strive to generate sustainable long-term returns on investment</li> <li>▪ Adhere to timely and transparent dissemination of accurate and relevant information to the market</li> </ul>
<b>Government/ National Agencies</b>	<ul style="list-style-type: none"> <li>▪ Sustainability report</li> <li>▪ Meetings, briefings and regular reporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Stakeholder programs to advocate greener operator behavior</li> <li>▪ Provide training and skills upgrading</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strict compliance with relevant laws and regulations</li> <li>▪ Encouraging life-long learning for mid-career change and skills-upgrading</li> </ul>
<b>The Community</b>	<ul style="list-style-type: none"> <li>▪ Sustainability report</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advocating sustainable practices</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management of impacts on the community</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>▪ Quality assurance inspections</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensuring consistency in quality of coal sold to customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Generating long-term sustainable returns through customer confidence for Group's high standards of products</li> </ul>

# SUSTAINABILITY REPORT

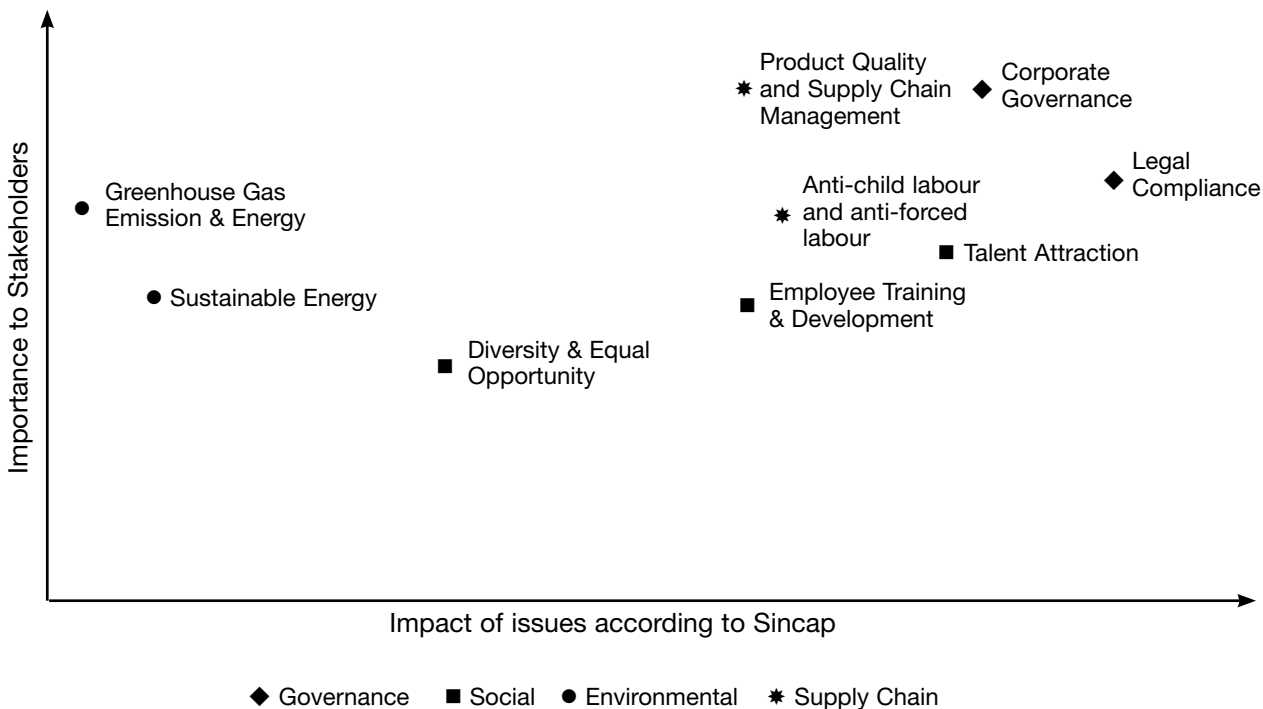
## MATERIALITY ASSESSMENT

The conduct of materiality assessment helps to identify factors that can have a present or future impact on the Group’s value creation, and hence its business over time. The materiality review took into account the Global Reporting Initiative (“GRI”) guidelines and we have prioritised our topics using a materiality matrix.

In accordance with the reporting principles, we take into account the materiality topic’s influence on stakeholders’ decisions as well as the significance of the topic’s impact to Environmental, Social and Governance factors. The material topics are ranked in the materiality matrix and are further discussed in the subsequent pages of the report.

Our review focuses on four key aspects with nine identified material topics. For each material topic, we report on the relevance of it to our business and stakeholders, and the measures in place to address it.



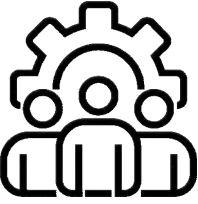

### 2019 Stainability Materiality Assessment



# SUSTAINABILITY REPORT

## 2020 TARGETS

We have compared our achievement in FY2019 against our 2020 targets as follow:

ASPECTS	TARGETS	FY2019 ACHIEVEMENTS
 <p><b>ENVIRONMENTAL</b></p>	<p>Reduce energy consumption by 10% per headcount from 2017 levels</p> <p>Introduce eco-coal to other parts of China and rest of the world</p>	<p>Electricity and water consumption have decreased by approximately 24% and 54% per headcount respectively as compared to FY2018. Electrical consumption was decreased from 1,028 kWh to 786 kWh while water consumption has decreased from 5.2 m<sup>3</sup> to 2.4 m<sup>3</sup>.</p> <p>We are in the midst of identifying other markets which are dependent on fossil fuels to market our eco-friendlier coal.</p>
 <p><b>SOCIAL</b></p>	<p>Having equal mix of gender, age and nationalities</p> <p>5% annual attrition rate</p>	<p>20% of female employees make up our total headcount.</p> <p>There was only one staff resignation across our business operations in FY2019.</p>
 <p><b>GOVERNANCE</b></p>	<p>Zero litigation incidents</p> <p>Maintain zero corruption and fraud incident across Sincap's operations</p>	<p>We have achieved zero litigation incidents in FY2019.</p> <p>In FY2019, there were no corruption and fraud incidents reported across our operations.</p>
 <p><b>SUPPLY CHAIN</b></p>	<p>To be involved in supplier's mining activities including having higher intensity of supplier engagement and helping suppliers to be more environmentally friendly</p>	<p>In FY2019, we have not received any reports on workplace incidents from our suppliers. We will continue to monitor the performance of our suppliers to ensure a safe working environment.</p>



# SUSTAINABILITY REPORT

## ENVIRONMENTAL

As we operate in the coal trading industry, we understand the importance of managing the impact that our operations have on the environment. The Group acknowledges that the Group's operating activities such as the procurement and shipment of coal has directly and/or indirectly caused strain to the environment in terms of pollution, among other consequences such as resource depletion.

Sincap is committed to reducing the ecological footprint created by our operational activities. As part of our efforts, it is our responsibility to educate our stakeholders and taking on measures to efficiently manage resources consumption and reduce environmental pollution. We also continuously strive to effectively manage our resource consumption.

### Sustainable Energy



The Group is committed to reducing our environmental footprint and recognises the importance of making our operations more energy-efficient. Ash and sulphur compounds are the main resultant pollutants of coal burning, which causes potential atmospheric and land pollution. As such, to reduce the effects that coal burning have on the environment, the Group aims to educate and encourage its customers to opt for an eco-friendlier coal – thermal coal. Thermal coal has lower sulphur and ash content relative to its energy output, thus allowing it to be less harmful to the environment as compared to other coal options such as sub-bituminous coal. In FY2019, the sale of eco-friendlier coal makes up 40% of the total sales.

Additionally, thermal coal has a higher calorific value as compared to sub-bituminous coal. A kilogram of thermal coal is capable of producing approximately 18.8 to 29.3 mega joules of energy while a kilogram of sub-bituminous coal can only produce 8.3 to 25 mega joules of energy. As such, less coal is required to be burned in order to produce the same amount of energy, resulting it to be more environmentally friendlier.

### Greenhouse Gas Emission and Energy Consumption

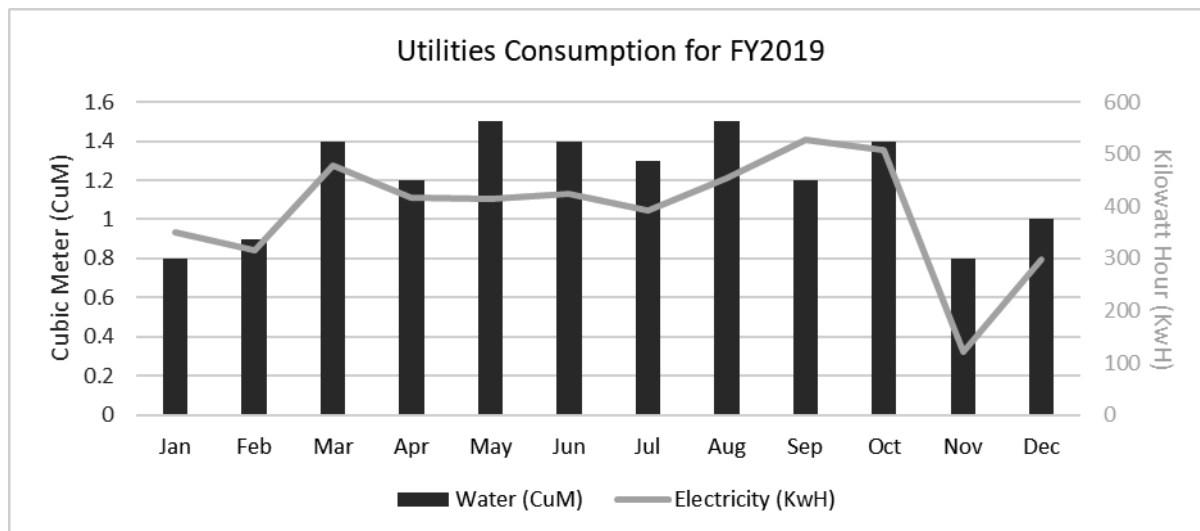


The Group recognises that investing in energy conservation not only reduces our carbon footprint but will simultaneously aid in our cost savings. Hence, we are committed to taking measures in minimising our overall energy consumption and improving energy efficiency to reduce the environmental impact of our operations.

Sincap dedicates itself to applying the precautionary principle when engaging in any environmental challenges that the Group faces. Employees are encouraged to be environmentally friendlier through their daily operations. For instance, employees are constantly reminded to switch off the lights whenever they are no longer in use, as well as to make eco-friendly decisions like repurposing and recycling, especially for usage of office paper printing. The office is also retrofitted with energy efficient Light-Emitting Diode ("LED") lightings, which have proven to be more energy efficient and durable compared to traditional incandescent bulbs, without affecting the lighting levels.

# SUSTAINABILITY REPORT

In Singapore, we are conscious about our energy consumption and employees are aware of controlling the wastage of energy, water and other resources. In order to better manage our resource consumption, we have been tracking our electricity and water consumption. The electricity and water consumption in FY2019 are as follows:



There were no instances of non-compliance, fines or sanctions with regard to the environmental regulations being imposed on the Group in FY2019.

# SUSTAINABILITY REPORT

## SOCIAL

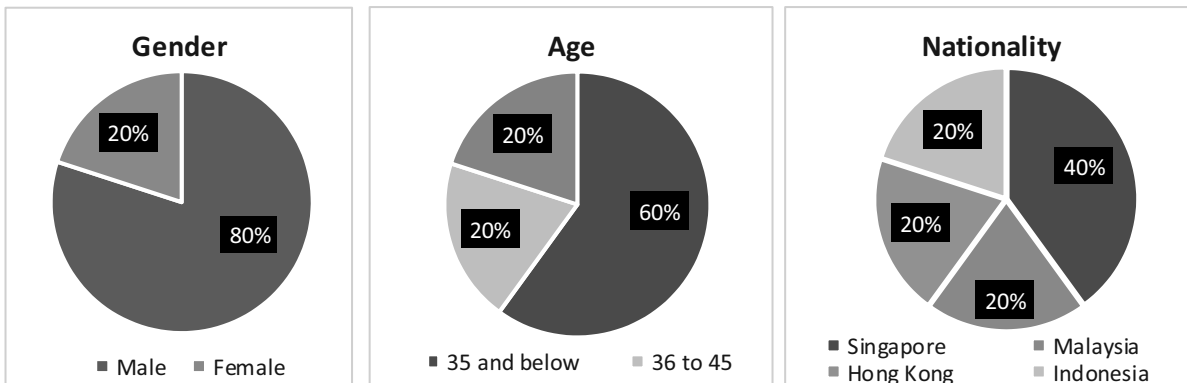
In SinCAP, we believe that our employees are the foundation to a strong and long-running organisation and that decisions on recruitment and employee diversity are imperative in ensuring that the right people are placed in roles that complement their expertise. Hence, we are committed to empowering and supporting the development of our employees to their greatest potential. We recognise that career advancement, recognition, personal development and compensation are key factors in talent attraction and retention.

### Diversity and Equal Opportunity



The Group believes that talent can be harnessed from any individual regardless of their gender, age, religion or ethnicity. As such, we engage in fair employment practices and recruit employees based on merits such as experiences, qualifications, skills and knowledge. We do not discriminate job applicants regardless of gender, race, age, nationality and ethnicity and provide equal opportunities for all applicants and employees.

Employees of different background can make significant contributions to the Group based on their differing viewpoints, expertise and experience. The Group values diversity and respect the rights of each employee and thus strives to create an equitable and harmonious working environment for all employees. The following diagrams show the profiles of our employees as at 31 December 2019:



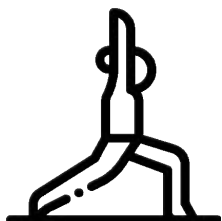
### Talent Attraction and Retention



The long-term sustainability of our business is dependent on our ability to attract and retain talent. The Group recognises that comprehensive and competitive remuneration packages attract and retain talents which enable business growth. Each employee package is unique and catered to their respective job requirements as well as the employees' qualifications and experiences, regardless of age, race, ethnicity, nationality or gender. Employees' compensation packages are reviewed periodically to ensure that they remain competitive within industry standards and adequate for our employees. Fair and competitive remuneration has led to the Group's success in retaining its employees. In FY2019, there was only one staff resignation across our business operations.

# SUSTAINABILITY REPORT

## Employee Well Being and Benefits

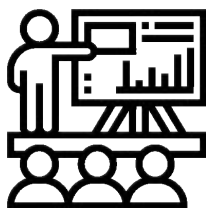


Apart from basic compensation, we also provide welfare and benefits to employees, such as reimbursement of medical and dental claims, and annual leaves. Additional types of leaves that are given to employees include marriage, maternity, parental, compassionate, childcare and extended childcare leaves. At Sincap, we align our welfare practices with the Singapore Government's pro-family leave scheme. Mothers and fathers whose children are Singapore Citizens at birth are entitled to 16 weeks of maternity leave and 2 weeks of paternity leave respectively. In addition, male employees are entitled to shared parental leave where they are able to share up to four weeks of the 16 weeks of Government-Paid Maternity Leave, subjected to their spouse's agreement. The Group also offers

employees with flexible working arrangements where employees are given the choice to work from home should they require to spend more time with their families.

In line with the Group's commitment to meritocracy, compensation policies are based on employees' performance. All full-time employees are subjected to annual performance review which allow employees to receive performance reviews and at the same time, provide a platform for open communication between employees and their direct supervisors to identify areas for improvement and developmental needs.

## Employee Training and Development



We strongly believe in investing in the growth of our employees as our success is dependent on employees being able to keep themselves abreast of the latest industry changes. Investing in employees learning and development enables them to contribute effectively to the Group's future growth and success. In order for us to succeed, internal trainings and development programs were conducted to build up our employee's skills, knowledge and expertise required of their job role. Such trainings are also structured in order to meet the specific requirements of individual's job position. Additionally, employee's training needs are assessed annually to ensure that adequate trainings are provided to enhance their competencies and knowledge. Furthermore, we have put in place

onboarding programs to ensure seamless integration of new hires into our organisational culture.

Our employees are encouraged to constantly upgrade their skills in order to stay up-to-date with the ever-changing economy and stay relevant in the workforce. We are open to all kinds of training programmes that our employees might require and will not hesitate to invest in the development of our talents.

# SUSTAINABILITY REPORT

## GOVERNANCE

At Sincap, we strive to uphold our reputation and foster stakeholders' trust in our business as we believe that these factors are fundamental to the Group's development. The Group believes that good governance practices are crucial in building a sound corporation with an ethical environment, thereby protecting the interests of all stakeholders. As such, the Board and Management are committed to continually enhance our shareholders' value by observing a high standard of corporate governance and commitment at all levels, reinforced by strong internal controls.

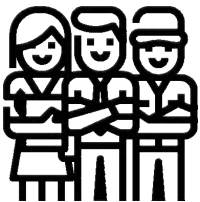
The Group is also committed to comply with all legal and regulatory requirements in the jurisdictions that we operate in, and thus building a positive corporate image through exemplary corporate governance and business ethics.

### Corporate Governance



Committed to achieving a high standard of corporate governance, the Group adheres to the principles and guidelines of the Code of Corporate Governance 2018 (the "CG Code"). Additionally, the Board recognises the significance of good corporate governance and have implemented a committee structure that enables segregation of duties and responsibilities to focus on critical functions. The Board and Senior Management are also dedicated to conducting business with integrity, setting the tone at the top. For more information regarding the Group's governance framework, please refer to Sincap Annual Report 2019, pages 28 to 55.

### Board Independence and Diversity



In order to assist in the execution of the Board's responsibilities, the Board has set up three committees such the Audit & Risk Committee (ARC), Nominating Committee (NC) and Remuneration Committee (RC) which only comprises independent non-executive Directors. The current Board also possess an appropriate balance and diversity of skills and knowledge, as well as experience and educational background that will guide the Group in achieving its long-term strategic goals. For more information regarding the Board Committee and Board Diversity, please refer to Sincap Annual Report 2019, pages 28 to 55.

The Nominating Committee ("NC") is responsible for reviewing the independence of each Director annually. On an annual basis, the NC reviews the constitution of the Board, ensuring that there is a suitable mix of expertise and knowledge so that the Board as a collective whole, possesses the essential core competencies for effective function and informed decision making.

The Remuneration Committee ("RC") responsibilities include recommending a remuneration structure for the Board and key management personnel. Remuneration of employees are reviewed annually to ascertain that their compensation packages are consistent with staff remuneration guidelines and correspond with their respective job scopes and level of responsibilities.

# SUSTAINABILITY REPORT

## Anti-Bribery and Corruption



The Group strictly adheres to its zero-tolerance policy against fraud, corruption and unethical actions. The Group's employees are expected to adhere to the Group's Code of Conduct and any employees who engage in any misconduct or whose performance is unsatisfactory may be subject to disciplinary action up to and including immediate dismissal. The Group's Code of Conduct provides guidance to the following areas:

- Conflicts of Interest and Business Opportunities
- Family Members Providing Services to the Group
- Insider Trading
- Gifts and Gratuities
- Improper Payments

Sincap has also implemented a whistle-blowing policy which encourages and provides a well-defined and accessible channel to stakeholders (i.e. both internal and external) of the Group to raise concerns about possible improprieties in financial reporting or other matters. All disclosures will be treated in a confidential manner, protecting the identity of the employee that made the disclosure so as to encourage employees to report any suspicious activities without fear of reprisal. For more information regarding the whistle-blowing policy, please refer to Sincap Annual Report 2019, page 49.

In FY2019, there was no unethical behavior or offences uncovered across Sincap's business operations.

## Legal Compliance



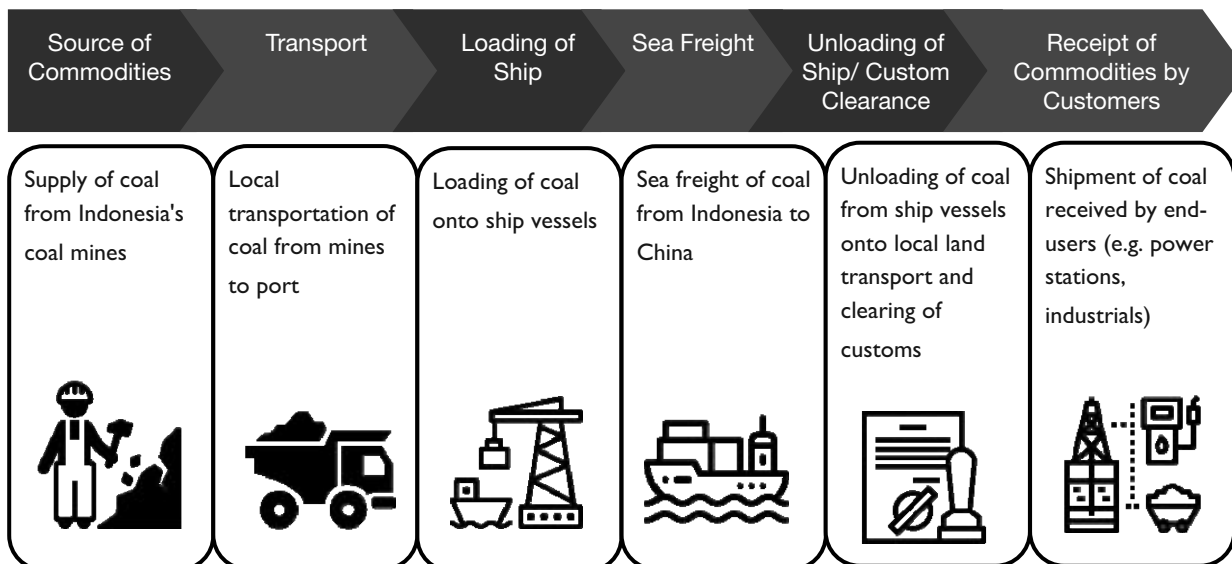
As a responsible organisation, the Group seeks to comply with all relevant laws and regulations including the Listing Manual of SGX-ST ("Listing Manual"), Companies Act and Employment Act. Legal compliance is of paramount importance to our Group as it serves to protect our integrity and foster trust among our stakeholders. The impact of any failure to comply with the regulatory requirements in the jurisdictions we operate in is not limited to the direct legal and financial consequences of the breach, but more importantly the damage to the reputation of our Group.

Abiding by the respective rules and regulations, there were no incidents of non-compliance with any applicable laws and regulations and we have not been fined for any non-compliance. Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are experienced with regulatory compliances of the various judiciaries that the Group operates in and are actively monitoring any regulatory changes and ensuring that the Group complies with all regulatory requirements.

# SUSTAINABILITY REPORT

## SUPPLY CHAIN

An overview of the Group's supply chain is shown as below:



## Product Quality and Supply Chain Management



As a responsible corporation, the Group seeks to comply with all environmental regulations implemented in the jurisdictions that we operate in. Management has zero tolerance towards their Indonesian coal suppliers who do not comply with Indonesia's Energy Law and Environmental Law. In this regard, we work closely with our suppliers based in South Kalimantan (PT Maxweal Energy Resources and PT Multi Abdi Bara) to ensure full compliance. Staff based in Indonesia mainly liaise with the suppliers and the operations in Indonesia, and there have been no reported incidents and non-compliances that have impacted the Group's operations. Moreover, all suppliers are licenced under the Indonesia jurisdiction.

To comply with the American Society for Testing and Materials (ASTM) standards and the International Organization for Standardization (ISO standards), and to ensure that product quality meets the expectation of our customers, we have engaged a third-party testing agency, PT. Jasa Inspeksi Dan Sertifikasi Indonesia, to conduct batch testing on coal from our suppliers. As we have established cordial relationships with our suppliers, we do not foresee that we will face difficulties in providing quality goods and services to our customers.

In order to maximise the efficiency of trips made by our shipping vessels, the Group takes advantage of joint shipments. By doing so, the Group is able to reduce the number of trips for each vessel and thereby reducing carbon emissions. Besides joint shipment, the Group plans to expand the business to provide logistics and transportation solutions with the intent to reduce our impact on our environment. Beginning with the countries that we currently operate in (i.e. Indonesia and China), we would be able to harness synergies by enhancing the planning of our logistics and thus complementing our current core businesses.

# SUSTAINABILITY REPORT

## Anti-Child and Anti Forced Labour



The Group does not tolerate any forms of child exploitation and forced labour in any of our operations and facilities or within our supply chain. We are committed to prevent and eliminate child labour and forced labour regardless of where it occurs in our supply chain. We firmly believe that human rights of all peoples must be respected and exercised regardless of where we operate. We do not engage with supply chain partners who do not share our views on zero tolerance for child labour and forced labour.



# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

GRI STANDARDS	Disclosure Number	Disclosure Title	Page Reference	Page
<b>General Standards Disclosure</b>				
GRI 102: General Disclosures 2016	<b>Organisational Profile</b>			
	102-1	Name of the organization	AR- Corporate Profile	1
	102-2	Activities, brands, products, and services	AR- Corporate Profile Company's Website	1
	102-3	Location of headquarters	AR- Corporate Information Company's Website - Contact us	8
	102-4	Location of operations	AR- Corporate Profile Company's Website - Global Presence	1
	102-5	Ownership and legal form	AR- Corporate Structure	1
	102-6	Markets served	AR- Corporate Profile Company's Website - Business Activities AR- Notes to FS (segment information)	1 104-107
	102-7	Scale of the organization	AR- Financial and Operation Review Company's Website - Investor Relations	2-3
	102-8	Information on employees and other workers	SR- Social	17-18
	102-9	Supply chain	SR- Supply Chain	21
	102-10	Significant changes to the organization and its supply chain	AR- Financial and Operation Review	2-3
	102-11	Precautionary Principle or approach	SR- Governance	19-20
	<b>Strategy</b>			
	102-14	Statement from senior decision-maker	SR- Board Statement	9
	102-15	Key impacts, risks, and opportunities	SR- Materiality Assessment	13
	<b>Ethics and Integrity</b>			
	102-16	Values, principles, standards, and norms of behavior	SR- Governance SR- Social SR- Environmental SR- Supply Chain	19-20 17-18 15-16 21
	<b>Governance</b>			
102-18	Governance structure	AR- Board of directors, Key Management AR- Corporate Governance Report SR- Governance	4-6 28-55 19-20	

# SUSTAINABILITY REPORT

GRI STANDARDS	Disclosure Number	Disclosure Title	Page Reference	Page
GRI 102: General Disclosures 2016	<b>Governance</b>			
	102-20	Executive-level responsibility for economic, environmental, and social topics	Chief Financial Officer (CFO)	-
	102-21	Consulting stakeholders on economic, environmental, and social topics	SR- Stakeholder Engagement	12
	102-22	Composition of the highest governance body and its committees	AR- Board of Directors AR- Corporate Governance Report	4-5 28
	102-23	Chair of the highest governance body	AR- Board of Directors	4-5
	102-24	Nominating and selecting the highest governance body	AR- Board of Directors AR- Corporate Governance Report- Nominating Committee	4-5 36-41
	102-25	Conflicts of interest	AR- Corporate Governance Report	28-55
	102-26	Role of highest governance body in setting purpose, values, and strategy	AR- Board of Directors	4-5
	102-27	Collective knowledge of highest governance body	AR- Corporate Governance Report	28-55
	102-28	Evaluating the highest governance body's performance	AR- Corporate Governance Report- Training Board Performance	36 41-42
	102-29	Identifying and managing economic, environmental, and social impacts	AR- Corporate Governance Report- Audit and risk committee	48-51
	102-30	Effectiveness of risk management processes	AR- Corporate Governance Report- Audit and risk committee	48-51
	102-31	Review of economic, environmental, and social topics	AR- Corporate Governance Report- Audit and risk committee	48-51
	102-32	Highest governance body's role in sustainability reporting	AR- Board of Directors	4-5
	102-35	Remuneration policies	AR- Corporate Governance Report- Remuneration matters Level and mix of remuneration Disclosure on remuneration	42-43 44 44-46
	102-36	Process for determining remuneration	AR- Corporate Governance Report- Remuneration matters Level and mix of remuneration Disclosure on remuneration	42-43 44 44-46
102-37	Stakeholders' involvement in remuneration	AR- Corporate Governance Report- Remuneration matters Level and mix of remuneration Disclosure on remuneration	42-43 44 44-46	

# SUSTAINABILITY REPORT

GRI STANDARDS	Disclosure Number	Disclosure Title	Page Reference	Page
GRI 102: General Disclosures 2016	<b>Stakeholder Engagement</b>			
	102-42	Identifying and selecting stakeholders	SR- Stakeholder Engagement	12
	102-43	Approach to stakeholder engagement	SR- Stakeholder Engagement	12
	102-44	Key topics and concerns raised	SR- Stakeholder Engagement	12
	<b>Reporting Practice</b>			
	102-45	Entities included in the consolidated financial statements	AR- Notes to FS: Investments in subsidiaries	91-92
	102-46	Defining report content and topic Boundaries	SR- About this Report SR- Materiality Assessment	11 13
	102-47	List of material topics	SR- Materiality Assessment	13
	102-48	Restatements of information	None. First-time implementing Sustainability Reporting	-
	102-49	Changes in reporting	None. First-time implementing Sustainability Reporting	-
	102-50	Reporting period	SR- About this Report	11
	102-51	Date of most recent report	None. First-time implementing Sustainability Reporting	-
	102-52	Reporting cycle	Annual	-
	102-53	Contact point for questions regarding the report	SR- About this Report	11
	102-54	Claims of reporting in accordance with the GRI Standards	SR- About this Report	11
102-55	GRI content index	SR- GRI content Index	23-26	
102-56	External assurance	No external assurance	-	
<b>Topic-specific disclosures</b>				
GRI201: Economic Performance	201-1	Direct economic value generated and distributed	AR- Financial and Operation Review AR- Consolidated income statement, Consolidated statement of cash flows	2-3 69, 73
GRI 205: Anti-Corruption	205-1	Operations assessed for risks related to corruption	SR- Governance	19-20
	205-3	Confirmed incidents of corruption and actions taken	SR- Governance	19-20
GRI 302: Energy	302-3	Energy intensity	SR- Environment	15-16
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	The Group has not identified any non-compliance with environmental laws and/or regulations during the reporting period	-
GRI 401: Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR- Social	17-18
GRI 404: Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	SR- Social	17-18

# SUSTAINABILITY REPORT

GRI STANDARDS	Disclosure Number	Disclosure Title	Page Reference	Page
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No reported incidents of discriminations during the reporting period	-
GRI 408: Child Labour	408-1	Operations and suppliers at significant risk for incidents of child labour	No indication of occurrence during the reporting period	-
GRI 409: Forced or Compulsory Labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	No indication of occurrence during the reporting period	-
GRI 416: Customer Health and Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No indication of occurrence during the reporting period	-
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No indication of occurrence during the reporting period	-
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	SR- Governance	19-20

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# CORPORATE GOVERNANCE REPORT

## **DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2018 AND CATALIST RULES**

The Board of Directors (the “**Board**”) of Sincap Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to safeguard the interests of all of its stakeholders, and ensure greater transparency, accountability and maximisation of long-term shareholder value.

This corporate governance report, set out in tabular form, outlines the Company’s corporate governance structures and practices that were in place during the financial year ended 31 December 2019 (“**FY2019**”), with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”), which took effect from the Company’s financial year commencing 1 January 2019, and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”).

The Board and the Management of the Company (the “**Management**”) have taken steps to align the governance framework with the recommendations of the Code and the Guide, where applicable, and where there are deviations from the Code and/or the Guide, appropriate explanations are provided.

<b>Principle / Provision</b>	<b>Code and/or Guide Description</b>	<b>Company’s Compliance or Explanation</b>
General	(a) Has the Company complied with all the principles and guidelines of the Code?  If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Save as otherwise set out below, the Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.  Appropriate explanations have been provided in the relevant provisions below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2019.

### **BOARD MATTERS**

#### **The Board’s Conduct of Affairs**

1.1	Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.	Currently, the Board has five (5) Directors, three of whom are Independent Non-Executive Directors. The Directors of the Company as at the date of this statement are:-  <table border="1" data-bbox="614 1711 1444 1989"> <thead> <tr> <th colspan="2"><b>Table 1.1 – Composition of the Board</b></th> </tr> <tr> <th><b>Name of Director</b></th> <th><b>Designation</b></th> </tr> </thead> <tbody> <tr> <td>Chu Ming Kin</td> <td>Executive Chairman and Chief Executive Officer (“<b>CEO</b>”)</td> </tr> <tr> <td>Robby</td> <td>Executive Director</td> </tr> <tr> <td>Teng Wai Leung Wilson</td> <td>Lead Independent Director</td> </tr> <tr> <td>Lee Chong Yang</td> <td>Independent Director</td> </tr> <tr> <td>Chia Soon Hin William<sup>(1)</sup></td> <td>Independent Director</td> </tr> </tbody> </table>	<b>Table 1.1 – Composition of the Board</b>		<b>Name of Director</b>	<b>Designation</b>	Chu Ming Kin	Executive Chairman and Chief Executive Officer (“ <b>CEO</b> ”)	Robby	Executive Director	Teng Wai Leung Wilson	Lead Independent Director	Lee Chong Yang	Independent Director	Chia Soon Hin William <sup>(1)</sup>	Independent Director
<b>Table 1.1 – Composition of the Board</b>																
<b>Name of Director</b>	<b>Designation</b>															
Chu Ming Kin	Executive Chairman and Chief Executive Officer (“ <b>CEO</b> ”)															
Robby	Executive Director															
Teng Wai Leung Wilson	Lead Independent Director															
Lee Chong Yang	Independent Director															
Chia Soon Hin William <sup>(1)</sup>	Independent Director															
		(1) Chia Soon Hin William was appointed to the Board on 6 November 2019.														

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
		<p>The Board is responsible for supervising the management of the business and affairs of the Group. Its primary duty is to ensure the viability of the Group and that it is managed in the best interests of the shareholders of the Company (the “<b>Shareholders</b>”) as a whole while taking into account the interests of other stakeholders. In addition to its statutory duties, the Board’s principle functions are:</p> <ul style="list-style-type: none"> <li>(a) providing entrepreneurial leadership, setting strategic directions and long-term goals of the Group, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;</li> <li>(b) setting the values and standards of the Group (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met;</li> <li>(c) reviewing and approving annual budgets and financial plans;</li> <li>(d) approving major investments, divestments and fund-raising exercises;</li> <li>(e) reviewing the performance of management towards achieving set organisational goals;</li> <li>(f) reviewing the Group’s financial performance, and evaluating the adequacy of internal control, risk management, financial reporting and compliance, and corporate governance practices;</li> <li>(g) approving remuneration policies and guidelines for the Board and senior Management;</li> <li>(h) ensuring the Group’s compliance with all laws and regulations as may be relevant to its businesses;</li> <li>(i) considering sustainability issues including environmental and social factors in the formulation of the Group’s strategies; and</li> <li>(j) providing overall corporate governance of the Company.</li> </ul> <p>All Directors exercise reasonable diligence and independent judgment in dealing with the business affairs of the Group. They are obliged to act in good faith in accordance with their fiduciary duties in making objective decisions in the best interest of the Company at all times.</p> <p>All Directors are required to disclose their business interests and any potential or actual conflicts of interest that they are aware of, or as soon as such conflicts become apparent. In any situation that involves a conflict of interest with the Company, the relevant Directors recuse themselves from participating in any discussion and decision on the matter.</p>

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
1.2	<p>Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.</p>	<p>The Company from time to time conducts separate briefings for the Directors on the Company's core business, corporate policies, corporate governance practices and the regulatory requirements concerning disclosure of interests and restrictions on dealing in securities. The Directors are also regularly briefed on any changes in relevant laws and regulations, and industry development that are of relevance to the Group during Board meetings or via electronic mail.</p> <p>In addition, the Board encourages its members to attend seminars and receive training to improve themselves on the continuing obligations and various requirements expected of a listed company in the discharge of their duties as Directors, at the Company's expense. The Company also works closely with professionals to provide its Directors with updates in changes to relevant laws, regulations and accounting standards. New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board. Directors are also informed of upcoming conferences and seminars relevant to their roles as directors of the Company. The Board is briefed by the external auditors on recent changes and amendments to the accounting standards, including amendments to the Singapore Financial Reporting Standards, and receive regulatory updates on a half yearly basis.</p> <p>The Company ensures that incoming new Directors are provided with a formal letter of appointment setting out their duties and obligations. A copy of the relevant terms of reference will also be provided to Directors who are appointed onto Board committees. Further, all newly appointed Directors receive comprehensive and tailored induction upon being appointed to the Board, including training related to their duties as directors and how to effectively discharge their individual duties. The orientation for new Directors includes site visits to the Group's operations to ensure that such Directors are familiar with the Group's business, organisation structure, corporate strategies and policies, and governance practices. New Directors with no prior experience as a director of a public listed company in Singapore will attend training courses in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties and at the Company's expense.</p>
1.3	<p>The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.</p>	<p>The Board has adopted internal guidelines in respect of and decides the matters specifically reserved for its approval and clear directions have been given to the Management on such matters. Matters which specifically require the Board's approval, include, amongst others, the following:</p> <ul style="list-style-type: none"> <li>(a) corporate or financial restructuring;</li> <li>(b) matters relating to the corporate strategies of the Group;</li> <li>(c) share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to Shareholders;</li> <li>(d) material acquisitions and disposals of assets of the Company;</li> <li>(e) approval of the annual audited financial statements of the Group, including the interim and full year's results announcements and the Director's statement thereto;</li> <li>(f) any public reports or press releases in respect of the Group's operations; and</li> <li>(g) matters involving a conflict or potential conflict of interest involving a substantial Shareholder or a Director.</li> </ul>



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1.4	<p>Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.</p>	<p>The Board recognises the importance of good corporate governance and in offering high standards of accountability to the Shareholders. Board Committees, namely the Audit and Risk Committee (the "<b>ARC</b>"), the Remuneration Committee (the "<b>RC</b>"), the Nominating Committee (the "<b>NC</b>") (collectively, the "<b>Board Committees</b>") have been constituted to assist the Board in the discharge of its duties.</p> <p>The Board Committees function within clearly defined terms of reference which are reviewed on a regular basis to ensure their continued relevance. The chairman of the respective Board Committees report to the Board on the outcome of the Board Committee meetings and their recommendations on the specific agendas mandated to the respective Board Committee by the Board. The effectiveness of each Board Committee is also constantly reviewed by the Board.</p> <p>The compositions of the Board Committees are as follows:</p> <table border="1" data-bbox="655 902 1487 1167"> <thead> <tr> <th colspan="4" data-bbox="655 902 1487 936"><b>Table 1.4 – Composition of Board Committees</b></th> </tr> <tr> <th data-bbox="655 936 807 969"></th> <th data-bbox="807 936 1034 969"><b>ARC</b></th> <th data-bbox="1034 936 1259 969"><b>NC</b></th> <th data-bbox="1259 936 1487 969"><b>RC</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="655 969 807 1037">Chairman</td> <td data-bbox="807 969 1034 1037">Chia Soon Hin William</td> <td data-bbox="1034 969 1259 1037">Lee Chong Yang</td> <td data-bbox="1259 969 1487 1037">Teng Wai Leung Wilson</td> </tr> <tr> <td data-bbox="655 1037 807 1104">Member</td> <td data-bbox="807 1037 1034 1104">Teng Wai Leung Wilson</td> <td data-bbox="1034 1037 1259 1104">Teng Wai Leung Wilson</td> <td data-bbox="1259 1037 1487 1104">Lee Chong Yang</td> </tr> <tr> <td data-bbox="655 1104 807 1167">Member</td> <td data-bbox="807 1104 1034 1167">Lee Chong Yang</td> <td data-bbox="1034 1104 1259 1167">Chia Soon Hin William</td> <td data-bbox="1259 1104 1487 1167">Chia Soon Hin William</td> </tr> </tbody> </table> <p>Information on the ARC, RC, and NC, their respective terms of reference, summaries of their activities and any delegation to them by the Board of its decision-making authority can be found in the subsequent provisions of this Report.</p>	<b>Table 1.4 – Composition of Board Committees</b>					<b>ARC</b>	<b>NC</b>	<b>RC</b>	Chairman	Chia Soon Hin William	Lee Chong Yang	Teng Wai Leung Wilson	Member	Teng Wai Leung Wilson	Teng Wai Leung Wilson	Lee Chong Yang	Member	Lee Chong Yang	Chia Soon Hin William	Chia Soon Hin William
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	<b>ARC</b>	<b>NC</b>	<b>RC</b>																			
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1.5	Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.	<p>The Board meets regularly on a half-yearly basis. Additional meetings are also convened as and when they are deemed necessary in between the scheduled meetings.</p> <p>The Company's constitution (the "<b>Constitution</b>") allows for meetings to be held through telephone conference or similar means. Dates of Board and Board Committees meetings are scheduled in advance in consultation with the respective Directors and Board Committee members. A Director who is unable to attend the meeting in person is invited to participate in the meeting via telephone conference.</p> <p>The Board and Board Committees approves transactions through written resolutions, which are circulated to the Board together with all relevant information regarding the proposed transactions.</p> <p>The Board met two times in FY2019. The number of Board and Board Committee meetings held and the attendance of each Director at the meetings for FY2019 are as follows:-</p> <table border="1"> <caption>Table 1.5 – Attendance of Directors at Company Meetings</caption> <thead> <tr> <th rowspan="2">Name of Director</th> <th colspan="2">Board</th> <th colspan="2">ARC</th> <th colspan="2">NC</th> <th colspan="2">RC</th> </tr> <tr> <th>No. of Meetings Held</th> <th>No. of Meetings Attended</th> <th>No. of Meetings Held</th> <th>No. of Meetings Attended</th> <th>No. of Meetings Held</th> <th>No. of Meetings Attended</th> <th>No. of Meetings Held</th> <th>No. of Meetings Attended</th> </tr> </thead> <tbody> <tr> <td>Chu Min Kin</td> <td>2</td> <td>1</td> <td>2</td> <td>–</td> <td>1</td> <td>–</td> <td>1</td> <td>–</td> </tr> <tr> <td>Robby</td> <td>2</td> <td>2</td> <td>2</td> <td>–</td> <td>1</td> <td>–</td> <td>1</td> <td>–</td> </tr> <tr> <td>Teng Wai Leung Wilson</td> <td>2</td> <td>2</td> <td>2</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Lee Chong Yang</td> <td>2</td> <td>2</td> <td>2</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Charles Chew Yeow Bian <sup>(1)</sup></td> <td>2</td> <td>2</td> <td>2</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Chia Soon Hin William <sup>(2)</sup></td> <td>2</td> <td>–</td> <td>2</td> <td>–</td> <td>1</td> <td>–</td> <td>1</td> <td>–</td> </tr> </tbody> </table> <p><b>Notes:</b>            (1) Mr Charles Chew Yeow Bian ceased to be an Independent Director on 17 August 2019.            (2) Mr Chia Soon Hin William was appointed as Independent Director on 6 November 2019.</p>	Name of Director	Board		ARC		NC		RC		No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	Chu Min Kin	2	1	2	–	1	–	1	–	Robby	2	2	2	–	1	–	1	–	Teng Wai Leung Wilson	2	2	2	2	1	1	1	1	Lee Chong Yang	2	2	2	2	1	1	1	1	Charles Chew Yeow Bian <sup>(1)</sup>	2	2	2	2	1	1	1	1	Chia Soon Hin William <sup>(2)</sup>	2	–	2	–	1	–	1	–
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1.6	Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.	<p><u>Provision of information on an on-going basis</u></p> <p>The Management provides the Board with relevant, complete, adequate and accurate information in relation to the Group's operations and performance on an on-going basis, through updates and reports as well as through informal discussions. Management will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</p>																																																																							

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		<p><u>Provision of information prior to meetings</u></p> <p>The Management ensures that the Company Secretary is provided with the relevant board papers to be circulated to the Board from time to time or to be submitted at Board meetings. All Directors are furnished with adequate information prior to Board meetings to allow the Directors to have sufficient time to read and review the board papers and the meeting materials. As and when there are important matters that require the Directors' attention, the information will be furnished to the Directors as soon as practicable. Additional information is provided to Directors, as and when needed or requested, to enable them to make informed decisions. Any material variance between the actual results and the budgets will be explained to the Board at the relevant time at the Board or Board Committee meetings.</p>
1.7	<p>Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.</p>	<p>The Directors have separate and independent access to the Company Secretary and Management, and full access to the Company's records and information and may seek independent legal and other professional advice if necessary, in the furtherance of their duties at the expense of the Company. The appointment and the removal of the Company Secretary are subject to the approval of the Board as a whole.</p>
<p><b>Board Composition and Guidance</b></p>		
2.1	<p>An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company,</p>	<p>The Board consists of five (5) members, three (3) of whom are Non-Executive and Independent Directors.</p> <p>As such, majority of the Board consists of Non-Executive Directors and Independent Directors.</p> <p>Please refer to Provision 4.4 below for more information on the NC's determination of the independence of the Independent Directors.</p>
2.2	<p>Independent directors make up a majority of the Board where the Chairman is not independent.</p>	<p>As the Chairman of the Board is not an Independent Director, the Company has complied and ensured that the majority of the Board comprises Independent Directors.</p>
2.3	<p>Non-executive directors make up a majority of the Board.</p>	<p>The majority of the Board consists of Non-Executive Directors.</p>

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2.4	<p>The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.</p>	<p>The composition of the Board is subject to annual review by the NC to assess if the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective, functioning and informed decision-making. This is undertaken with a view to maintain or enhance the Board's balance and diversity.</p> <p>Taking into account the nature and scope of the Group's business, in concurrence with the NC, the Board believes that the current size of the Board is appropriate, and that the composition of the Board and Board Committees (as set out in Tables 1.1 and 1.4 above) provide sufficient diversity without interfering with efficient decision making. The NC is of the view that no individual, or small group of individuals, dominates the Board's decision making process.</p> <p>The Board's policy in identifying Directors is primarily to have an appropriate mix of members with complementary skills, core competencies such as accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management, and experience for the Group, regardless of gender.</p> <p>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:</p> <table border="1" data-bbox="616 1106 1444 1585"> <thead> <tr> <th colspan="3" data-bbox="616 1106 1444 1137"><b>Table 2.4 – Balance and Diversity of the Board</b></th> </tr> <tr> <th data-bbox="616 1137 1137 1234"></th> <th data-bbox="1137 1137 1291 1234">Number of Directors</th> <th data-bbox="1291 1137 1444 1234">Proportion of Board (%)</th> </tr> </thead> <tbody> <tr> <td colspan="3" data-bbox="616 1234 1444 1265"><b>Core Competencies</b></td> </tr> <tr> <td data-bbox="616 1265 1137 1301">- Accounting or finance</td> <td data-bbox="1137 1265 1291 1301">2</td> <td data-bbox="1291 1265 1444 1301">40</td> </tr> <tr> <td data-bbox="616 1301 1137 1337">- Business management</td> <td data-bbox="1137 1301 1291 1337">5</td> <td data-bbox="1291 1301 1444 1337">100</td> </tr> <tr> <td data-bbox="616 1337 1137 1373">- Legal or corporate governance</td> <td data-bbox="1137 1337 1291 1373">2</td> <td data-bbox="1291 1337 1444 1373">40</td> </tr> <tr> <td data-bbox="616 1373 1137 1408">- Relevant industry knowledge or experience</td> <td data-bbox="1137 1373 1291 1408">2</td> <td data-bbox="1291 1373 1444 1408">40</td> </tr> <tr> <td data-bbox="616 1408 1137 1444">- Strategic planning experience</td> <td data-bbox="1137 1408 1291 1444">5</td> <td data-bbox="1291 1408 1444 1444">100</td> </tr> <tr> <td data-bbox="616 1444 1137 1480">- Customer-based experience or knowledge</td> <td data-bbox="1137 1444 1291 1480">5</td> <td data-bbox="1291 1444 1444 1480">100</td> </tr> <tr> <td colspan="3" data-bbox="616 1480 1444 1516"><b>Gender</b></td> </tr> <tr> <td data-bbox="616 1516 1137 1552">- Male</td> <td data-bbox="1137 1516 1291 1552">5</td> <td data-bbox="1291 1516 1444 1552">100</td> </tr> <tr> <td data-bbox="616 1552 1137 1588">- Female</td> <td data-bbox="1137 1552 1291 1588">0</td> <td data-bbox="1291 1552 1444 1588">0</td> </tr> </tbody> </table>	<b>Table 2.4 – Balance and Diversity of the Board</b>				Number of Directors	Proportion of Board (%)	<b>Core Competencies</b>			- Accounting or finance	2	40	- Business management	5	100	- Legal or corporate governance	2	40	- Relevant industry knowledge or experience	2	40	- Strategic planning experience	5	100	- Customer-based experience or knowledge	5	100	<b>Gender</b>			- Male	5	100	- Female	0	0
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2.5	<p>Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.</p>	<p>Where necessary, the Independent Directors will meet without the presence of the Management to discuss any matters.</p> <p>During meetings of the Board and Board Committees in FY2019, the Independent Directors actively participated and provided their inputs on matters including the Group's financial performance, corporate governance and the performance of the Management, which may have been discussed between the Independent Directors at the aforesaid meetings of the Independent Directors. The Independent Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.</p>																																				

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<b>Chairman and Chief Executive Officer</b>		
<p>3.1</p> <p>3.2</p>	<p>The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.</p> <p>The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.</p>	<p>Mr Chu Ming Kin is the Executive Chairman and CEO of the Company.</p> <p>Although the roles of Chairman and the CEO are assumed by the same person, the Board determined that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable concentration of power or influence. As set out in Provision 1.5, transactions are approved by the Board and Board Committees (as the case may be) collectively by way of written resolutions, after the Board or Board Committee (as the case may be) has considered all relevant information regarding the proposed transactions, which are provided to the Board or Board Committee (as the case may be) together with the written resolutions.</p> <p>The Independent Directors have demonstrated high levels of commitment in their role as Independent Directors and have ensured that there is a good balance of power and authority. As such, the Board is of the view that there is no need for the role of the Chairman and CEO to be separated.</p> <p>The responsibilities of Mr Chu Ming Kin, as the Executive Chairman include:</p> <ul style="list-style-type: none"> <li>(i) leading the Board to ensure its effectiveness on all aspects of its role;</li> <li>(ii) setting its agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;</li> <li>(iii) promoting a culture of openness and debate at the Board;</li> <li>(iv) ensuring that the Directors receive complete, adequate and, timely information;</li> <li>(v) ensuring effective communication with Shareholders;</li> <li>(vi) encouraging constructive relations within the Board and between the Board and Management;</li> <li>(vii) facilitating the effective contribution of Non-Executive Directors in particular; and</li> <li>(viii) promoting high standards of corporate governance.</li> </ul> <p>In addition to the responsibilities set out above, Mr Chu Ming Kin is also responsible for devising business strategies and direction, and overseeing the Group's operations, including the coal trading and property management businesses, and potential diversification of the Group's business.</p>
<p>3.3</p>	<p>The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.</p>	<p>As the Lead Independent Director, Mr. Teng Wai Leung Wilson leads and encourages dialogue between the Independent Directors without the presence of the other Directors where necessary, and provides feedback to the Executive Chairman after such meetings. The Lead Independent Director is available to Shareholders of the Company when they have concerns and for which contact through the normal channels of the CEO has failed to resolve or is inappropriate.</p>

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<b>Board Membership</b>		
4.1	<p>The Board establishes a NC to make recommendations to the Board on relevant matters relating to:</p> <ul style="list-style-type: none"> <li>(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;</li> <li>(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;</li> <li>(c) the review of training and professional development programmes for the Board and its directors; and</li> <li>(d) the appointment and re-appointment of directors (including alternate directors, if any).</li> </ul>	<p>The Board has established the NC, which holds at least one (1) meeting in each financial year.</p> <p>The NC is guided by key terms of reference, which include, among others:</p> <ul style="list-style-type: none"> <li>(a) to determine, annually, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in the Code or any other salient factors;</li> <li>(b) to recommend and review Board succession plans and, in particular, the appointment and reappointment of Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;</li> <li>(c) to develop a process for evaluation of the performance of the Board, its Board committees and the Directors and the review of training and professional development programmes for the Board;</li> <li>(d) to ensure that new Directors are aware of their duties and obligations, and to decide if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company and make the appropriate recommendations to the Board;</li> <li>(e) in respect of a Director who has multiple board representations on various companies, if any, to provide the NC's and Board's reasoned assessment of whether such Director is able to and has been adequately carrying out his duties as Director, taking into consideration the Director's number of listed company board representations and other principal commitments;</li> <li>(f) recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards for the Board's disclosure in the Annual Report, of the maximum number of listed company board representations which any Director which any Director may hold and disclose the same in the Company's Annual Reports. For such purposes, the maximum number of the listed company board representations which any Director may hold at any time shall be six (6). A Director who proposed to hold any additional appointment on the board of a listed company in excess of the foregoing cap shall submit an application in writing to the NC which shall make recommendation to the Board for tis approval. Any Director who makes such application shall not participate in deliberation of the NC and Board in considering such application;</li> <li>(g) to provide disclosure in the Company's Annual Reports of the listed company board representations and principal commitments of each Director, and where a director holds a significant number of such board representations and commitments, to provide the Committee's and the Board's reasoned assessment of the ability of the Director to diligently discharge his or her duties to the Company;</li> <li>(h) where a person is proposed to be appointed as an alternate director to an Independent Director of the Company, to review and conclude with the Board that the person would similarly qualify as an Independent Director before his appointment as an alternate Director;</li> <li>(i) to assess the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board;</li> </ul>

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		(j) to decide how the performance of the Board may be evaluated and to propose objective performance criteria; (k) to ensure that new directors are aware of their duties and obligations, and to decide if a director is able to and has been adequately carrying out his or her duties as a director of the Company and make the appropriate recommendations to the Board; and (l) to decide how the performance of the Board may be evaluated and to propose objective performance criteria.												
4.2	The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.	The NC comprises of three (3) Directors, as follows: (a) Mr. Teng Wai Leung Wilson (Lead Independent Director); (b) Mr. Lee Chong Yang (Independent Director); and (c) Mr. Chia Soon Hin William (Independent Director).  The NC comprises of all Independent Directors, and the chairman of the NC is Mr. Lee Chong Yang.												
4.3	The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.	<p><b>Table 4.3(a) – Process for the Selection and Appointment of New Directors</b></p> <table border="1"> <tbody> <tr> <td>1.</td> <td>Determination of selection criteria</td> <td>The NC, in consultation with the Board, would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.</td> </tr> <tr> <td>2.</td> <td>Search for suitable candidates</td> <td>The NC would consider candidates proposed by the Directors, key management personnel or substantial Shareholders, and may engage external search consultants where necessary.</td> </tr> <tr> <td>3.</td> <td>Assessment of shortlisted candidates</td> <td>The NC would deliberate on the competencies of each shortlisted candidate against the needs of the Board to select a candidate for the directorship role.</td> </tr> <tr> <td>4.</td> <td>Appointment of director</td> <td>The NC would recommend the selected candidate to the Board for consideration and approval.</td> </tr> </tbody> </table>	1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.	2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial Shareholders, and may engage external search consultants where necessary.	3.	Assessment of shortlisted candidates	The NC would deliberate on the competencies of each shortlisted candidate against the needs of the Board to select a candidate for the directorship role.	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.
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# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation						
		<p><b>Table 4.3(b) – Process for the Re-electing Incumbent Directors</b></p> <table border="1"> <tr> <td data-bbox="611 443 676 696">1.</td> <td data-bbox="676 443 922 696">Assessment of director</td> <td data-bbox="922 443 1445 696"> <ul style="list-style-type: none"> <li>The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and</li> <li>The NC would also review the range of expertise, skills and attributes of current Board members and consider the current needs of the Board.</li> </ul> </td> </tr> <tr> <td data-bbox="611 696 676 1736">2.</td> <td data-bbox="676 696 922 1736">Re-appointment of director</td> <td data-bbox="922 696 1445 1736"> <ul style="list-style-type: none"> <li>Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and acceptance.</li> <li>All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years.</li> </ul> <p>Article 81 of the Company's Constitution provides that the Directors shall have power from time to time and at any time to appoint additional Directors; provided always that the total number of Directors shall not exceed the prescribed maximum. A Director so appointed shall retire from office at the close of the next annual general meeting ("AGM"), but shall be eligible for re-election. According to Article 81, Mr Chia Soon Hin William will be retiring at the Company's forthcoming AGM and shall be eligible for re-election.</p> <p>Article 99 of the Company's Constitution provides that one-third of the Board is to retire from office by rotation and be subject to re-election at the AGM of the Company and that the Directors to retire in every year shall be those who have been longest in office since the last election, but as between persons who became directors on the same day, those to retire shall be determined by lot. Mr Robby will be retiring at the Company's forthcoming AGM and shall be eligible for re-election.</p> </td> </tr> </table>	1.	Assessment of director	<ul style="list-style-type: none"> <li>The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and</li> <li>The NC would also review the range of expertise, skills and attributes of current Board members and consider the current needs of the Board.</li> </ul>	2.	Re-appointment of director	<ul style="list-style-type: none"> <li>Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and acceptance.</li> <li>All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years.</li> </ul> <p>Article 81 of the Company's Constitution provides that the Directors shall have power from time to time and at any time to appoint additional Directors; provided always that the total number of Directors shall not exceed the prescribed maximum. A Director so appointed shall retire from office at the close of the next annual general meeting ("AGM"), but shall be eligible for re-election. According to Article 81, Mr Chia Soon Hin William will be retiring at the Company's forthcoming AGM and shall be eligible for re-election.</p> <p>Article 99 of the Company's Constitution provides that one-third of the Board is to retire from office by rotation and be subject to re-election at the AGM of the Company and that the Directors to retire in every year shall be those who have been longest in office since the last election, but as between persons who became directors on the same day, those to retire shall be determined by lot. Mr Robby will be retiring at the Company's forthcoming AGM and shall be eligible for re-election.</p>
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# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
		<p>In making the recommendations below, the NC had considered the Directors' overall contribution and performance, with reference to the results of the assessment of the performance of individual Directors. The NC has recommended the re-election of Mr Chia Soon Hin William who is retiring at the forthcoming AGM pursuant to Regulation 81 of the Constitution of the Company, as well as Mr Robby who is retiring as at the forthcoming AGM pursuant to Regulation 99(4) of the Constitution of the Company. The Board has accepted the recommendation and Mr Chia Soon Hin William and Mr Robby will be offering themselves for re-election.</p> <p>The key information of the Mr Chia Soon Hin William and Mr Robby, including their appointment dates and directorships held in the past 3 years, are set out on pages 56 to 60 of this Annual Report. The shareholdings of the individual Directors of the Company are set out on page 61 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company. Directors who are seeking re-appointment at the forthcoming AGM will be stated in the notice of the forthcoming AGM to be issued to the Shareholders, upon determination of the date, time and place of the AGM, and in any event, no later than 14 clear days before the date of the AGM.</p>
4.4	<p>The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.</p>	<p>The independence of each Director is assessed and reviewed annually by the NC in accordance with criterion based on the guidelines stated in the Code. Currently, none of the Independent Directors on the Board serves for a period exceeding nine years from the date of his first appointment.</p> <p>The Board considers an "Independent" Director as one who has no relationship with the Company, its related corporations, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Each Independent Director is required to complete a declaration form to confirm his independence under the principles above.</p> <p>The Independent Directors, being Mr Teng Wai Leung Wilson, Mr Lee Chong Yang and Mr Chia Soon Hin William have confirmed their independence in accordance with the Code. The Independent Directors do not have any relationship as stated in the Code that would otherwise deem them not to be independent.</p> <p>For the reasons above, the NC Board, having taken into account and concurring with the views of the NC, has determined that the Independent Directors remained independent in character and judgment, and that there were no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgement. The Independent Directors who are members of the NC, have abstained from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the evaluation of their independence.</p>

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation						
4.5	<p>The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitment of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.</p>	<p>The Company ensures that incoming new Directors are provided with a formal letter of appointment setting out their duties and obligations. They are given guidance and orientation including onsite visits to get them familiarised with the Group's businesses, organisation structure, corporate strategies and policies and corporate governance practices upon their appointment and to facilitate the effective discharge of their individual duties.</p> <p>The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards and/ or have other principal commitments. The NC has set the maximum number of listed company board representations which any Director may hold shall at any time be six (6). A Director who proposes to hold any additional appointments on the board of a listed company in excess of the foregoing cap will have to submit an application in writing to the NC, which will deliberate and make recommendation to the Board for its approval. A Director who is the subject of such application shall not participate in the deliberation, recommendation and approvals of the NC and Board as applicable.</p> <p>For the financial year under review, no Director has exceeded the maximum number of listed company board representations stipulated by the NC.</p> <p>The NC has from time to time, evaluated the performance of each Director to ensure that he has devoted adequate and sufficient time to carry out his duties and responsibilities effectively, taking into consideration the Director's other board representations and/or principal commitments.</p> <p>The considerations in assessing the capacity of Directors include the following:</p> <ul style="list-style-type: none"> <li>(a) Expected and/or competing time commitments of Directors;</li> <li>(b) Geographical location of Directors;</li> <li>(c) Size and composition of the Board; and</li> <li>(d) Nature and scope of the Group's operations and size.</li> </ul> <p>The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2019.</p> <p>The table below shows the disclosure of directorships in other listed companies as well as other principal commitments (excluding the Group) of each respective Director:</p> <table border="1" data-bbox="614 1675 1458 2040"> <thead> <tr> <th data-bbox="614 1675 954 1738">Name of Director</th> <th data-bbox="954 1675 1458 1738">Present Directorships in other listed companies and principal commitments</th> </tr> </thead> <tbody> <tr> <td data-bbox="614 1738 954 1890">Mr. Chu Ming Kin</td> <td data-bbox="954 1738 1458 1890"> <u>Directorships in other Listed Companies</u>                      -   <u>Principal Commitment</u>                      -                 </td> </tr> <tr> <td data-bbox="614 1890 954 2040">Mr. Robby</td> <td data-bbox="954 1890 1458 2040"> <u>Directorships in other Listed Companies</u>                      -   <u>Principal Commitment</u>                      -                 </td> </tr> </tbody> </table>	Name of Director	Present Directorships in other listed companies and principal commitments	Mr. Chu Ming Kin	<u>Directorships in other Listed Companies</u> -  <u>Principal Commitment</u> -	Mr. Robby	<u>Directorships in other Listed Companies</u> -  <u>Principal Commitment</u> -
Name of Director	Present Directorships in other listed companies and principal commitments							
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Mr. Robby	<u>Directorships in other Listed Companies</u> -  <u>Principal Commitment</u> -							

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation	
		<b>Name of Director</b>	<b>Present Directorships in other listed companies and principal commitments</b>
		Mr. Teng Wai Leung Wilson	<u>Directorships in other Listed Companies</u> –  <u>Principal Commitment</u> –
		Mr. Lee Chong Yang	<u>Directorships in other Listed Companies</u> –  <u>Principal Commitment</u> MoovPay Partners Pte Ltd 88 Lucky Ventures Pte Ltd MacroCap Asia Capital Ltd Partners Alliance Capital Pte Ltd QLD Investment Pte Ltd QLW Investment Pte Ltd Mondial Developments Pte Ltd Vantage Choice Pte Ltd Vantage Choice Ltd Portofino Holdings Pte Ltd
		Mr. Chia Soon Hin William	<u>Directorships in other Listed Companies</u> Asiatic Group (Holdings) Limited Ley Choon Group Holdings Limited  <u>Principal Commitment</u> Xie Capital Pte Ltd Mitsuba Japanese Restaurant Pte Ltd
<b>Board Performance</b>			
5.1	The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.	The performance criteria recommended by the NC and approved by the Board addresses how the Board has enhanced long term shareholders value, and are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision.  The performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board are as follows: <ul style="list-style-type: none"> <li>(i) Board composition</li> <li>(ii) Board information</li> <li>(iii) Board processes</li> <li>(iv) Board accountability</li> <li>(v) CEO / top Management Performance; and</li> <li>(vi) Standards of Conduct</li> </ul>	

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
5.2	<p>The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.</p>	<p>The NC has developed a process to evaluate the performance and effectiveness of the Board as a whole, its Board Committees and the contribution by individual Directors to the effectiveness of the Board, based on the performance criteria approved by the Board.</p> <p>At the end of each financial year, all Directors are requested to complete a Board evaluation questionnaire defined to seek their views on various aspects of the Board performance so as to assess the overall effectiveness of the Board and the Board Committees. The responses are collated independently by the Company Secretary and the results are reviewed by the NC before submitting to the Board for discussing and determining areas for improvement and enhancement of the Board's, the Board Committee's and Directors' effectiveness.</p> <p>The Chairman of the Board will act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.</p> <p>The Board has not engaged any external facilitator to conduct an assessment of the performance of the Board, the Board Committees and each individual Director. Where relevant and when the need arises, the NC will consider such an engagement.</p>

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

6.1	<p>The Board establishes a Remuneration Committee to review and make recommendations to the Board on:</p> <p>(a) a framework of remuneration for the Board and key management personnel; and</p> <p>(b) the specific remuneration packages for each director as well as for the key management personnel.</p>	<p>The Board has established the RC, which is guided by key terms of reference including, among others:</p> <p>(a) to review and recommend the general framework of remuneration for the Board and key management personnel;</p> <p>(b) to review and recommend to the Board the specific remuneration packages for each Director as well as for key management personnel and engaging in external remuneration consultants for such purposes where appropriate;</p> <p>(c) to review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service to ensure that such contracts of service, if any, contain fair and reasonable termination clauses which are not overly generous;</p> <p>(d) to review whether Executive Directors and key management personnel should be eligible for benefits under long-term incentive schemes, including share schemes, and where applicable disclose in the Company's Annual Reports the details of employee share schemes;</p> <p>(e) to prepare a remuneration report providing clear disclosure of the Company's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, for recommendation to the Board for inclusion in the Company's Annual Reports, which shall include all forms of remuneration and other payments of benefits, such as:</p> <p>(i) names, amounts and breakdown of remuneration of each individual director and the CEO;</p> <p>(ii) names, amounts, and breakdown of remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel; and</p>
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# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
		<p>(iii) names and remuneration of employees (if any) who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,999. This disclosure (if any) shall state clearly the employee's relationship with the relevant director or the CEO or substantial shareholder;</p> <p>(f) to review working environments and succession planning for the Management;</p> <p>(g) to review the terms of employment arrangements with the management so as to develop consistent group-wide employment practices subject to regional differences; and</p> <p>(h) to report to the Board its findings from time to time on matters arising and requiring the attention of the RC.</p>
6.2	The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.	<p>The RC comprises of three (3) Directors, as follows:</p> <p>(a) Mr Teng Wai Leung Wilson (Lead Independent Director);</p> <p>(b) Mr Lee Chong Yang (Independent Director); and</p> <p>(c) Mr. Chia Soon Hin William (Independent Director).</p> <p>The RC comprises of all Independent Directors and the chairman of the RC is Mr. Teng Wai Leung Wilson.</p>
6.3	The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.	<p>All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind, will be covered by the RC. The RC will also review annually the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/ or promotions for these employees. Each RC member will abstain from participating in the deliberations of and voting on any resolution in respect of his remuneration package or that of employees related to him.</p> <p>The RC regularly reviews the Company's obligations arising in the event of the termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service, if any, contain fair and reasonable termination clauses which are not overly generous and to avoid rewarding poor performance.</p>
6.4	The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.	No remuneration consultants were engaged by the Company in FY2019.

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
<b>Level and Mix of Remuneration</b>		
7.1	A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.	<p>The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.</p> <p>Annual review is carried out by the RC to ensure that the interests of the Executive Directors and key management personnel of the Group are aligned with the interests of the Shareholders and to ensure that the remuneration is commensurate with their performance and the performance of the Company, taking into account the risk policies of the Company.</p>
7.2	The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.	The Non-Executive Directors, being the Independent Directors of the Company, are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors. The Directors' fees of the Independent Directors are subject to approval by Shareholders at each AGM thereby ensuring that their independence is not compromised. Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed amounts to be paid by the Company to him.
7.3	Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.	<p>To enhance its remuneration so as to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel, the Company has adopted an employee share option scheme ("<b>2014 ESOS</b>"), which is a long-term incentive plan and its mechanism involves deferring incentive compensation over a time horizon to ensure that the Group's employees focus on generating Shareholders' value over a longer term. Conditions to entitlement to such long-term incentives include the assessment and recognition of potential progressive performance, and enhancement to asset value and shareholders' value over time, taking into consideration current and future plans of the Company.</p> <p>For the financial year under review, no shares were awarded to the Company's Executive Director or key management personnel under the 2014 ESOS. Further details on the 2014 ESOS can be found in the Company's circular dated 9 April 2014 and offer document dated 17 July 2012, respectively.</p>
<b>Disclosure on Remuneration</b>		
8.1	<p>The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:</p> <p>(a) each individual director and the CEO; and</p>	The RC makes recommendations on an appropriate framework of remuneration taking into account employment conditions within the industry and the Group's performance to ensure that the remuneration package is competitive and sufficient to attract, retain and motivate the Directors and key management personnel. On the other hand, the Company avoids paying more than necessary for this purpose. Elements of the Group's relative performance and the performance of the individual Directors form part of the Executive Directors' remuneration packages so as to align their interests with those of Shareholders and promote long-term success of the Company.

# CORPORATE GOVERNANCE REPORT

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		<p>Directors' and key executives' remuneration packages are a competitive advantage of the Group. The Board is aware of and supports the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual Director and the key management personnel (who are not Directors) is not in the best interests of the Company and therefore, the Shareholders. The Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the competitive business environment the Group operates in and the irrevocable negative impact such disclosure may have on the Group. In view of these, the Company has chosen to make disclosure in relation thereto in bands of S\$250,000 with a breakdown in percentage terms of base salary, bonus, director fees and other benefits. The Company is of the view that such disclosures would provide adequate information on the remuneration policies and practice for Directors and key management personnel. The aggregate remuneration paid to the Directors and key management personnel for FY2019 was approximately S\$148,600.</p> <p>The breakdown for the remuneration of the individual Directors for FY2019 is as follows:</p> <table border="1" data-bbox="651 987 1487 1400"> <caption><b>Table 8.1 – Directors' Remuneration</b></caption> <thead> <tr> <th>Name</th> <th>Remuneration Band <sup>(1)</sup></th> <th>Salary (%)</th> <th>Bonus (%)</th> <th>Benefits-in-kind (%)</th> <th>Directors Fees (%)</th> <th>Share Incentives Scheme (%)</th> <th>Total (%)</th> </tr> </thead> <tbody> <tr> <td>Chu Ming Kin</td> <td>B</td> <td>100</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> </tr> <tr> <td>Robby</td> <td>A</td> <td>100</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> </tr> <tr> <td>Teng Wai Leung Wilson</td> <td>A</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> <td>-</td> <td>100</td> </tr> <tr> <td>Lee Chong Yang</td> <td>A</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> <td>-</td> <td>100</td> </tr> <tr> <td>Charles Chew Yeow Bian<sup>(2)</sup></td> <td>A</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> <td>-</td> <td>100</td> </tr> <tr> <td>Chia Soon Hin William<sup>(3)</sup></td> <td>A</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> <td>-</td> <td>100</td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p>(1) Remuneration Bands:            Band A: Remuneration from S\$0 to S\$250,000 per annum.            Band B: Remuneration from S\$250,001 to S\$500,000 per annum</p> <p>(2) Mr Charles Chew Yeow Bian resigned as Independent Director with effect from 17 August 2019.</p> <p>(3) Mr Chia Soon Hin William was appointed as Independent Director on 6 November 2019.</p> <p>The above remuneration for FY2019 has been pro-rated according to the Directors' date of appointment or date of resignation (where applicable).</p>	Name	Remuneration Band <sup>(1)</sup>	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Directors Fees (%)	Share Incentives Scheme (%)	Total (%)	Chu Ming Kin	B	100	-	-	-	-	100	Robby	A	100	-	-	-	-	100	Teng Wai Leung Wilson	A	-	-	-	100	-	100	Lee Chong Yang	A	-	-	-	100	-	100	Charles Chew Yeow Bian <sup>(2)</sup>	A	-	-	-	100	-	100	Chia Soon Hin William <sup>(3)</sup>	A	-	-	-	100	-	100
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Lee Chong Yang	A	-	-	-	100	-	100																																																			
Charles Chew Yeow Bian <sup>(2)</sup>	A	-	-	-	100	-	100																																																			
Chia Soon Hin William <sup>(3)</sup>	A	-	-	-	100	-	100																																																			

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation																					
	<p>(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel</p>	<p>Currently, the Company only has two (2) top key management personnel for FY2019. The total remuneration paid to the two (2) top key management personnel for FY2019 was S\$203,576.</p> <p>The breakdown for the remuneration of the Company's top key management personnel (who are not Directors or the CEO) for FY2019 is as follows:</p> <table border="1" data-bbox="614 607 1445 837"> <caption data-bbox="614 607 1118 636"><b>Table 8.2 - Remuneration of Key Management Personnel</b></caption> <thead> <tr> <th data-bbox="614 636 842 745">Name</th> <th data-bbox="842 636 975 745">Remuneration Band <sup>(1)</sup></th> <th data-bbox="975 636 1050 745">Salary (%)</th> <th data-bbox="1050 636 1171 745">Defined Contribution Plan (%)</th> <th data-bbox="1171 636 1273 745">Benefits-in-kind (%)</th> <th data-bbox="1273 636 1369 745">Share incentive scheme (%)</th> <th data-bbox="1369 636 1445 745">Total (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="614 745 842 779">Yau Woon Soon</td> <td data-bbox="842 745 975 779">A</td> <td data-bbox="975 745 1050 779">89</td> <td data-bbox="1050 745 1171 779">11</td> <td data-bbox="1171 745 1273 779">-</td> <td data-bbox="1273 745 1369 779">-</td> <td data-bbox="1369 745 1445 779">100</td> </tr> <tr> <td data-bbox="614 779 842 837">Andhika Pratama Nurdin<sup>(2)</sup></td> <td data-bbox="842 779 975 837">A</td> <td data-bbox="975 779 1050 837">100</td> <td data-bbox="1050 779 1171 837">-</td> <td data-bbox="1171 779 1273 837">-</td> <td data-bbox="1273 779 1369 837">-</td> <td data-bbox="1369 779 1445 837">100</td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p>(1) Remuneration Bands: Band A: Compensation from S\$0 to S\$250,000 per annum.</p> <p>(2) Mr Andhika Pratama Nurdin was appointed as Financial Controller of the Company on 12 June 2018 and ceased to be the Financial Controller of the Group with effect from 30 December 2019.</p> <p>There are no termination, retirement, post-employment benefits that may be granted to the foregoing key management personnel, save for the standard contractual notice period termination payment in lieu of service.</p> <p>The Board is of the view that the current disclosure information on remuneration matter provides sufficient overview of the remuneration policies of the Group while maintaining the confidentiality of the Directors and staff remuneration matters.</p>	Name	Remuneration Band <sup>(1)</sup>	Salary (%)	Defined Contribution Plan (%)	Benefits-in-kind (%)	Share incentive scheme (%)	Total (%)	Yau Woon Soon	A	89	11	-	-	100	Andhika Pratama Nurdin <sup>(2)</sup>	A	100	-	-	-	100
Name	Remuneration Band <sup>(1)</sup>	Salary (%)	Defined Contribution Plan (%)	Benefits-in-kind (%)	Share incentive scheme (%)	Total (%)																	
Yau Woon Soon	A	89	11	-	-	100																	
Andhika Pratama Nurdin <sup>(2)</sup>	A	100	-	-	-	100																	
8.2	<p>The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.</p>	<p>During FY2019, there was no employee, who is a substantial shareholder of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000.</p>																					
8.3	<p>The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.</p>	<p>As set out in Provision 7.3 above, the Company has implemented the 2014 ESOS. In FY2019, there was no grant and options under the 2014 ESOS. Further details on the 2014 ESOS can be found in the company's Circular dated 9 April 2014.</p> <p>Save as disclosed above, and in particular in <b>Tables 8.1 and 8.2</b>, there are no other forms of remuneration and other payments and benefits, paid by the Group to Directors and/or key management personnel of the Company and its subsidiaries.</p>																					



# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
<b>ACCOUNTABILITY AND AUDIT</b>		
<b>Risk Management and Internal Controls</b>		
9.1	The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.	The ARC assists the Board in carrying out its responsibilities in overseeing the Company's risk management framework and policies. The Board is responsible for approving the Company's policies on risk oversight and management, and satisfying itself, with the assistance of the ARC that the Management has developed and implemented a sound system of risk management and internal control.
9.2	The Board requires and discloses in the company's annual report that it has received assurance from: <ul style="list-style-type: none"> <li>(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and</li> <li>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.</li> </ul>	<p>The Board has received assurance (the "<b>Assurance</b>") from the Executive Chairman and CEO, and the CFO, that:</p> <ul style="list-style-type: none"> <li>(a) the Group's financial records have been properly maintained and the financial statements for the period under review give a true and fair view of the Group's operations and finances; and</li> <li>(b) the Group's risk management and internal control systems in place are effective.</li> </ul> <p>The key management personnel have obtained similar assurances from the heads of operational and corporate departments in the Group on the risk management and internal control systems within their respective scope, to support their assurance statement to the Board.</p>
General	The Board's annual review of the internal controls and risk management systems	<p>The Board will, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control system, including financial, operational, compliance and information technology controls.</p> <p>To assist the ARC and Board in reviewing the adequacy and effectiveness of the Company's risk management and internal control systems, the Board has engaged the assistance of its external and internal auditors.</p> <p>The Company's external auditors had conducted their audit of the Group's financial statements for the year ended 31 December 2019. The Company's internal auditor had conducted their annual review on Orion Energy Resources Pte. Ltd. ("Orion") in relation to interested person transactions, sales and account receivables and a follow-up of the prior year's findings.</p> <p>The Company's external and internal auditors reported their respective findings to the ARC.</p> <p>Based on the internal controls established and maintained by the Group, work carried out by the external and internal auditors, the Assurance and reviews performed by the Management and the various Board Committees, the Board, with the concurrence of the ARC, are of the opinion that, save for certain areas for improvement as identified by the external and internal auditors, the Group's internal controls and the risk management system are generally adequate and effective addressing financial, operational, compliance and information technology and risk management during FY2019.</p>

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
<b>Audit Committee</b>		
10.1	<p>The duties of the AC include:</p> <ul style="list-style-type: none"> <li>(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;</li> <li>(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;</li> <li>(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;</li> </ul>	<p>The ARC was tasked by the Board to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.</p> <p>The duties and roles of the ARC are guided by the following key terms of reference:</p> <ul style="list-style-type: none"> <li>(a) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;</li> <li>(b) to review and report to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls and risk management systems;</li> <li>(c) to review and discuss with external auditors and internal auditors, any suspected fraud, irregularity, infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;</li> <li>(d) to review the adequacy, effectiveness, scope and results of the external audit and internal audit function, and the independence and objectivity of the external auditors;</li> <li>(e) to make recommends to the Board the appointment, re-appointment and removal of the external auditor, and approves the remuneration and terms of engagement of the external auditor;</li> <li>(f) to make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;</li> </ul>

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
	<p>(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;</p> <p>(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and</p> <p>(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.</p>	<p>(g) to review and approve transactions falling within the scope of Chapter 9 of the Catalist Rules (if any);</p> <p>(h) to review any potential conflicts of interest;</p> <p>(i) to review the assurance from the CEO and the CFO on the financial records and the financial statements;</p> <p>(j) to review and establish procedures for receipt, retention and treatment of complaints received by the Group such as criminal offences involving our Group or its employees, questionable accounting, improprieties in financial reporting, auditing, business, safety or other matters that impact negatively on the Group;</p> <p>(k) to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position; and</p> <p>(l) to generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.</p> <p>The Company has in place a whistle blowing policy (the "<b>Policy</b>") which encourages and provides a well-defined and accessible channel to employees of the Group to raise concerns about possible improprieties in financial reporting or other matters which has been extended previously in FY2018 to include external parties such as the Company's business associates.</p> <p>The objective of the Policy is to encourage the reporting of such matters in good faith while providing the assurance that the employee making such report will be fairly treated, and to ensure independent investigation of such matters and for appropriate follow-up action to be taken by the management and the results reported to the ARC and the Board.</p> <p>The Policy and procedures for raising any concerns is communicated to all employees of the Company and the Group during the orientation for new employees and also via the staff handbook. There was no reported incident pertaining to whistle-blowing for FY2019.</p> <p>The ARC may request the Management to update and/or revise the Policy, as it deems necessary to ensure a robust and comprehensive whistle-blowing procedures, and may recommend the same for the Board's approval.</p>
10.2	<p>The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.</p>	<p>The ARC comprises of three (3) Directors, as follows:</p> <p>(a) Mr Teng Wai Leung Wilson (Lead Independent Director);</p> <p>(b) Mr Lee Chong Yang (Independent Director); and</p> <p>(c) Mr Chia Soon Hin William (Independent Director).</p> <p>All the ARC members are Non-Executive and Independent Directors. The chairman of the ARC is Mr Chia Soon Hin William, who is an Independent Director. Mr Chia Soon Hin William and Mr Lee Chong Yang, being members of the ARC have recent and relevant accounting or related financial management expertise and/or experience.</p>

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation																					
10.3	The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.	None of the members of the ARC (a) is a former partner or director of the Company's existing auditing firm or auditing corporation within the previous two years or (b) hold any financial interest in the auditing firm or auditing corporation.																					
10.4	The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.	<p>The Company's internal audit function is outsourced to Crowe Horwath First Trust LLP, which reports directly to the ARC Chairman and administratively to the CEO and CFO.</p> <p>The ARC in consultation with Management, approves any hiring, removal, evaluation and compensation of the internal auditors. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARC. The internal auditors were invited to attend the ARC meetings.</p>																					
10.5	The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.	The ARC had met with the external auditors, and with the internal auditors, once without the presence of the Management in FY2019.																					
General	ARC's annual review of the independence / re-appointment of the EA.	<p>The ARC reviews the independence and objectivity of the external auditors annually, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.</p> <p>The ARC has recommended to the Board the re-appointment of Baker Tilly TFW LLP as auditors of the Company. The aggregate amount of audit fees paid/payable to the external auditor in FY2019 are as follows:</p> <table border="1"> <thead> <tr> <th colspan="3"><b>Table 10.5 – Fees Paid/Payable to the external auditor for FY2019</b></th> </tr> <tr> <th></th> <th><b>S\$</b></th> <th><b>% of total</b></th> </tr> </thead> <tbody> <tr> <td><b>Audit fees</b></td> <td>70,000</td> <td>82</td> </tr> <tr> <td><b>Non-audit fees</b></td> <td></td> <td></td> </tr> <tr> <td>- Tax compliance</td> <td>6,100</td> <td>7</td> </tr> <tr> <td>- Sustainability Reporting Services</td> <td>9,000</td> <td>11</td> </tr> <tr> <td><b>Total</b></td> <td><b>85,100</b></td> <td><b>100</b></td> </tr> </tbody> </table>	<b>Table 10.5 – Fees Paid/Payable to the external auditor for FY2019</b>				<b>S\$</b>	<b>% of total</b>	<b>Audit fees</b>	70,000	82	<b>Non-audit fees</b>			- Tax compliance	6,100	7	- Sustainability Reporting Services	9,000	11	<b>Total</b>	<b>85,100</b>	<b>100</b>
<b>Table 10.5 – Fees Paid/Payable to the external auditor for FY2019</b>																							
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<b>Audit fees</b>	70,000	82																					
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# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
General	What are the ARC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	The external auditors provided regular updates and periodic briefings to the ARC on changes or amendments to accounting standards to enable the members of the ARC to keep abreast of such changes and its corresponding impact on the financial statements, if any.
<b>STAKEHOLDER RIGHTS AND ENGAGEMENT</b>		
<b>Shareholders' Rights</b>		
11.1	The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.	<p><u>Effective participation at meetings</u></p> <p>Shareholders of the Company are informed of the general meetings through notices contained in the annual reports or circulars which are sent to all Shareholders. These notices are also issued via SGXNET and advertised in a newspaper in Singapore.</p> <p>The Company will ensure that all Shareholders have equal opportunity to participate effectively in and vote at general meetings. The Company's general meetings are held in Singapore to provide Shareholders with an opportunity to meet the Directors and the Management and vote at such general meetings.</p> <p><u>Voting at meetings</u></p> <p>All Shareholders are entitled to vote in accordance with the established voting rules and procedures. All resolutions are put to vote by poll, and the results of the poll voting on each resolution tabled at general meeting, including the number of votes cast for and against of each resolution and the respective percentages, are announced after each general meeting, via SGXNET.</p> <p><u>Informing Shareholders of general meeting rules</u></p> <p>The rules governing general meetings of Shareholders, including the voting process are explained to the Shareholders prior to the commencement of voting by poll.</p>
11.2	The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.	Resolutions are as far as possible, structured separately and may be voted upon independently. All the resolutions that are put to the vote at general meetings would be voted by way of poll. The Company will make an announcement of the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages to the public via SGXNET.

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
11.3	All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.	The chairpersons of the ARC, NC and RC are present and available to address any questions from the Shareholders at general meetings. The Company's external auditors are also invited to attend general meetings and are present to address Shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.
11.4	The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.	<p>The Company's Constitution allows for the Directors to approve and implement, subject to the Constitution and the Companies Act, voting methods to allow Members who are unable to vote in person at any general meeting the option to vote in absentia, subject further to any such security measures as may be deemed necessary or expedient.</p> <p>The Company is of the view that voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the Shareholders' identities through the internet is not compromised.</p>
11.5	The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.	The proceedings of the general meetings are properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management. All minutes of general meetings are available to shareholders upon request and the Company publishes the results of AGM and EGM after each meeting. Moving forward, the Company will ensure that minutes of each general meeting will be published on its corporate website as soon as practicable. The Company also ensures that all material information relating to the Group is disclosed in an accurate and timely manner through publication on SGXNET and is made available to everyone, including Shareholders.
11.6	The company has a dividend policy and communicates it to shareholders.	<p>The Company does not have a dividend policy. The dividend that the Directors may recommend or declare in respect of any particular financial year or periods will be subject to, <i>inter alia</i>, the factors outlined below:</p> <ul style="list-style-type: none"> <li>(a) level of cash and retained earnings;</li> <li>(b) actual and projected financial performance;</li> <li>(c) projected levels of capital expenditure and other investment plans; and</li> <li>(d) restrictions on payment of dividends imposed on the Company by its financing arrangements, if any.</li> </ul> <p>Any final dividends paid by the Company shall be approved by an ordinary resolution of the Shareholders at a general meeting. The Board may, without the approval of Shareholders, also declare an interim dividend.</p>

# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation
<b>Engagement with Shareholders</b>		
12.1	The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.	<p>In compliance with continuous disclosure obligations under the Catalist Rules, the Company releases pertinent and other material information to Shareholders in a timely manner through announcements via the SGXNET system, annual reports and press releases. Notices of the annual general meeting and all extraordinary general meetings are advertised in newspapers, as well as on SGXNET within the prescribed deadlines prior to the relevant meetings. Further, the Board ensures compliance with the continuous disclosure obligations under relevant rules, by informing Shareholders promptly of all major developments that may have a material impact on the Group in a timely manner. Half year and full year results and other major developments of the Company are announced on SGXNET, as required by the Catalist Rules. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period. 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.</p> <p>The Board welcomes Shareholders to attend all general meetings of the Company, which represent the principal forum for dialogue and interaction between the Board, Management and the Company, and for Shareholders to share their concerns and views. During these meetings, Shareholders are given opportunities to voice their views and seek clarification to the Board on any matters relating to the Group's business and operations. Shareholders may also submit any queries or feedback on the sustainability performance of the Company via email to: <a href="mailto:info@sincapgroup.com.sg">info@sincapgroup.com.sg</a>.</p>
12.2	The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.	The Company does not have an investor relation policy in place. The Board is of the view that the measures set out above are sufficient for the purposes of allowing an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with Shareholders.
12.3	The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.	
<b>MANAGING STAKEHOLDER RELATIONSHIPS</b>		
<b>Engagement with Stakeholders</b>		
13.1	The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.	The Company takes a strategic and pragmatic approach in managing stakeholders' expectations to support its long-term strategy. A sustainability governance structure and framework was put in place to identify, engage with, and manage material environment, social and governance factors which are important to stakeholders and to the Group.

# CORPORATE GOVERNANCE REPORT

Principle Provision /	Code and/or Guide Description	Company's Compliance or Explanation
13.2	The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	More information on the Group's material stakeholders, sustainability efforts (including its strategy and key areas of focus), and performance in this regard can be found under "Sustainability Report" on pages 9 to 26 of this Annual Report.
13.3	The company maintains a current corporate website to communicate and engage with stakeholders.	The Company maintains its corporate website at <a href="http://www.sincapgroup.com.sg">http://www.sincapgroup.com.sg</a> to communicate and engage with stakeholders.

## COMPLIANCE WITH APPLICABLE CATALIST RULES

Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of auditors	The Company confirms its compliance to the Catalist Rules 712 and 715 in the appointment of its auditors. For the avoidance of doubt, the auditors for the significant subsidiaries and associated companies of the Company is Baker Tilly TFW LLP.
1204(8)	Material contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year .
1204(10)	Confirmation of adequacy of internal controls	The Board, with the concurrence of the ARC, are of the opinion that, the Group's internal controls and the risk management system are adequate and effective in addressing financial, operational, compliance and information technology and risk management during FY2019.
1204(10C)	ARC's comment on Internal Audit Function	The ARC has reviewed and assessed, and is satisfied with the qualifications and experience of the appointed internal audit firm's team which undertakes the function of its internal audit within the Group.
1204(17)	Interested person transaction ("IPT")	<p>The Company had, at an Extraordinary General Meeting on 27 April 2018 (the "EGM"), sought and obtained the approval of the Shareholders (other than Shareholders required to abstain from voting under Rule 920(1)(b)(viii) of the Catalist Rules) for adopting a general mandate permitting an "entity at risk" (including Orion) to enter into transactions of a revenue and trading nature in respect of and relating to the sale of coal ("<b>Mandated Transactions</b>") to Artwell Minerals Resources Company Limited (the "<b>interested person</b>"), from the date of such EGM until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier, unless revoked or varied by the Company in a general meeting, continue in force, , provided that the transactions are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders (the "<b>IPT General Mandate</b>"). The Company has adhered to the guidelines and review procedures established to ensure that Mandated Transactions are carried out on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and on terms generally not more favourable than those extended to unrelated third parties and will not be prejudicial to the interests of the Company and its minority Shareholders.</p> <p>The Company intends to seek Shareholders' approval for the renewal of the IPT General Mandate at the upcoming AGM. More details in relation to the proposed renewal of the IPT General Mandate will be issued together with the notice of the forthcoming AGM, to be issued to the Shareholders upon the determination of the date, time and place of the AGM, and in any event, no later than 14 clear days before the AGM.</p>



# CORPORATE GOVERNANCE REPORT

Principle / Provision	Code and/or Guide Description	Company's Compliance or Explanation										
		<p>The Company has established internal control procedures to ensure the transactions with interested persons (other than the Mandated Transactions) are also properly reviewed and approved by the ARC and conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.</p> <p>The following are IPTs which value exceeds S\$100,000 transacted during FY2019:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of Interested Person</th> <th rowspan="2">Nature of Relationship</th> <th>Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</th> <th>Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</th> </tr> <tr> <th>RMB'000</th> <th>RMB'000</th> </tr> </thead> <tbody> <tr> <td>Artwell Mineral Resources Company Limited</td> <td>Note (1)</td> <td>-</td> <td>307,882</td> </tr> </tbody> </table> <p>Note:</p> <p>(1) Artwell is entirely owned and held by Mr Chu Ming Fang, who is the brother of the Executive Chairman and Chief Executive Officer of the Company. Artwell purchases coal from the Group.</p>	Name of Interested Person	Nature of Relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	RMB'000	RMB'000	Artwell Mineral Resources Company Limited	Note (1)	-	307,882
Name of Interested Person	Nature of Relationship	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)			Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)							
		RMB'000	RMB'000									
Artwell Mineral Resources Company Limited	Note (1)	-	307,882									
1204(19)	Dealing in securities	<p>The Company has adopted policies in line with Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.</p> <p>The Company has an internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in securities of the Company. Officers of the Company are discouraged from dealing with the Company's securities on short-term considerations and in circumstances where they are in possession of unpublished price-sensitive information of the Group.</p> <p>They are also advised to be mindful of the law on insider trading. The Company and its officers are prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements.</p>										
1204(21)	Non-sponsor fees	No non-sponsor fees were paid to the Company's sponsor, Stamford Corporate Services Pte. Ltd., for FY2019.										
1204(22)	Use of proceeds	There were no unutilised proceeds arising from initial public offering and/or any offerings pursuant to Chapter 8 of the Catalist Rules.										

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Robby, and Mr Chia Soon Hin William are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened at a later date to be confirmed (“**AGM**”) (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of Catalist of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual Section B: Rules of Catalist of the SGX-ST:

	<b>MR ROBBY</b>	<b>MR CHIA SOON HIN WILLIAM</b>
Date of Appointment	4 April 2017	6 November 2019
Date of last re-appointment	5 July 2018	N.A.
Age	37	68
Country of principal residence	Indonesia	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having reviewed and considered Mr. Robby’s experience in coal business, concurred with the recommendation of the Nominating Committee and approved the re-election of Mr. Robby as an Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and assessed Mr Chia Soon Hin William’s qualifications and experience, is satisfied that Mr Chia Soon Hin William has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Director of the Company, chairman of the Audit and Risk Committee, and a member of the Nominating Committee and Remuneration Committee. The Board considers Mr Chia Soon Hin William to be independent for the purposes of Rule 704(7) of the SGX-ST Listing Manual Section B: Rules of Catalist.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Robby is responsible in overseeing the Group’s operations in mining and trading businesses.	Non-Executive
Job Title (e.g.) Lead ID, AC Chairman, AC Member etc.)	Executive Director of the Company and Chief Operating Officer of Orion Energy Resources Pte. Ltd.	Independent Director, Chairman of Audit and Risk Committee, Member of Remuneration Committee, Member of Nominating Committee
Professional qualifications	Nil	Nil

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ROBBY	MR CHIA SOON HIN WILLIAM
Working experience and occupation(s) during the past 10 years	<p>December 2015 to May 2018: Exclusive Consultant (for coal business) of PT. Cipta Solusi Indah (Audit and Consultant Company)</p> <p>February 2015 to March 2017: Financial Director of PT. Maxweal Energy Resources (Coal Trading Company)</p> <p>December 2011 to January 2015: Financial and Accounting Chief Officer of PT. Grand Mitra Sukses (Coal Trading Company) -</p> <p>2009 to 2011: Senior Audit and Accounting Consultant of PT. Taxforte Consult (Tax Consultant and Audit Company)</p> <p>2005 to 2009: Admin and Tax Senior Staff of PT. Sentracom (Information Technology Company)</p>	<p>September 2018 to Present: Independent Director of Asiatic Group (Holdings) Limited</p> <p>September 2015 to Present: Independent Director of Ley Choon Group Holdings Ltd</p> <p>October 2014 to Present: Managing Director of Xie Capital Pte Ltd</p> <p>October 2014 to Present: Managing Director of Mitsuba Japanese Restaurant Pte Ltd</p> <p>July 2015 to July 2016: Director of MBZ International Exchange Pte Ltd</p> <p>March 2011 to October 2014: Executive Director (Group Commercial Banking) of UOB Group Ltd</p> <p>March 2008 to March 2011 – Senior Vice President Band 7 of UOB Group Ltd</p>
Shareholding interest in the listed issuer and its subsidiaries	No	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.	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	Nil	MBZ International Exchange Pte Ltd
Past (for the last 5 years)		
Present	Nil	<p>Asiatic Group (Holdings) Limited</p> <p>Ley Choon Group Holdings Ltd</p> <p>Xie Capital Pte Ltd</p> <p>Mitsuba Japanese Restaurant Pte Ltd</p>

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ROBBY	MR CHIA SOON HIN WILLIAM
a) Whether at any time during the last 10 years, an application or 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 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 whether that entity is the trustee of a business trust, that business trust, on the group of insolvency?	No	No
c) Whether there is any unsatisfied judgement 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

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ROBBY	MR CHIA SOON HIN WILLIAM
f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law of 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 of dishonesty on his part?	No	No
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

## DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR ROBBY	MR CHIA SOON HIN WILLIAM
<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>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</p> <p>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</p> <p>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</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>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?</p>	No	No

# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Sincap Group Limited (the "Company") and its subsidiary corporations (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 69 to 107 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"); and
- (ii) at the date of this statement, after considering the measures taken by the Group and the Company as described in Note 3(a) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

Chu Ming Kin  
 Robby  
 Teng Wai Leung Wilson  
 Lee Chong Yang  
 Chia Soon Hin William (Appointed on 6 November 2019)

## Arrangement to enable directors to acquire benefits

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

## Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

Name of director	Number of ordinary shares Shareholding registered in their own names		
	At 1.1.2019	At 31.12.2019	At 21.1.2020
<b>The Company</b>			
Chu Ming Kin	156,968,700	156,968,700	156,968,700

# DIRECTORS' STATEMENT

## Share options

The Company's employee share option scheme is administrated by the Remuneration Committee, the members of which are Mr Teng Wai Leung Wilson (Chairman), Mr Chia Soon Hin William and Mr Lee Chong Yang.

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

## Audit and Risk Committee

The members of the Audit and Risk Committee at the date of this report are as follows:

Teng Wai Leung Wilson	(Lead Independent Director)
Chia Soon Hin William	(Independent Director and Chairman of Audit and Risk Committee)
Lee Chong Yang	(Independent Director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act and performed the following functions:

- (a) reviewed with the independent external auditor their audit plan;
- (b) 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;
- (c) reviewed with the internal auditors 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 auditors;
- (d) reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- (e) reviewed the interested person transactions (as defined in Chapter 9 of the Catalyst Rules).

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

The Audit and Risk Committee is satisfied with the independence and objective of the independent auditor and has recommended to the Board of Directors that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.



# DIRECTORS' STATEMENT

## Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chu Ming Kin  
Director

Chia Soon Hin William  
Director

15 April 2020

# INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

## Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the accompanying financial statements of Sincap Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 69 to 107, which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Qualified Opinion

#### 1 Trade receivables

As disclosed in Note 14 to the financial statements, trade receivables due from a related party amounted to RMB225,290,000 (2018: nil) as at 31 December 2019. The directors of the Company are of the view that no allowance for expected credit losses ("ECL") of the trade receivable is necessary. We are, however, unable to obtain sufficient appropriate audit evidence to assess the reasonableness of management's ECL assessment on the trade receivables, to satisfy ourselves as to whether any allowance for ECL is required in accordance with SFRS(I) 9 *Financial Instruments*.

#### 2 Valuation of Bond

The carrying value of the bond ("Bond") amounted to RMB12,928,000 (2018: RMB60,483,000) as at 31 December 2019. The Bond may be redeemed at the Company's option through cash payment and/or issuance of new fully paid issued ordinary shares of the Company based on the terms of the Bond agreement. The Group and the Company had measured and recorded the Bond at initial recognition based on its issue amount of S\$12,000,000 which is the equivalent of RMB60,483,000. Having considered the Company's option with respect to the redemption of the Bond, we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation and carrying value of the Bond at initial recognition and as at 31 December 2019 and the corresponding impact on diluted earnings per share as disclosed in Note 15 and Note 10 to the financial statements.

The financial statements for the financial year ended 31 December 2018 were qualified for the same reason as stated above.

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

# INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

## Report on the Audit of the Financial Statements (cont'd)

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 3(a) to the financial statements with respect to the Group's ability to continue as a going concern. As at 31 December 2019, the Group's net current asset position amounted to RMB218,948,000.

Current assets of the Group totalling RMB260,496,000 included trade receivables due from a related party of RMB225,290,000 which is a matter included in the *Basis for Qualified opinion* section in this report. In the event that an allowance for ECL is required on this receivable, this may have an impact on the net current asset position of the Group and may indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, for the reasons as disclosed in Note 3(a), the directors believe that the use of going concern assumption is appropriate for the preparation of the financial statements.

In the event that the Group is unable to continue as going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to the financial statements.

Our opinion is not further modified in respect of this matter.

### **Key Audit Matters**

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

#### 1. Impairment of Goodwill

##### *Description of key audit matter:*

As disclosed in Note 12 to the financial statements, the Group's goodwill of RMB14,725,000 (2018: RMB13,434,000) accounted for approximately 5% (2018: 5%) of the Group's total assets as at 31 December 2019. The goodwill arose from the Group's acquisition of Orion Energy Resources Pte. Ltd..

As disclosed in Note 3, the goodwill is required to be tested for impairment annually. Impairment assessment of goodwill is considered a key audit matter due to the significant management estimations and assumptions involved in the determination of the value-in-use ("VIU") of the cash generating unit ("CGU"). Cash flow projection used for determining VIU involved significant management estimations and is based on assumptions of the future results of the CGU that are affected by expected future market and economic conditions and the discount rate applied for future cash forecasts.

##### *Our procedures to address the key audit matter:*

We obtained an understanding of management's impairment assessment process.

Our audit procedures focused on the assessment of key assumptions in the VIU calculation, including the cash flow projection and discount rate.

We evaluated the reasonableness of management's assumptions used in the cash flow projection which the outcome of the impairment test is most sensitive to by comparing the cash flow projection against recent performances and trends. This include obtaining an understanding of management's revenue growth strategies and cost initiatives and the review of secured contracts. Furthermore, we evaluated management's budgeting process by comparing actual results to historical cash flow projections. We performed sensitivity analysis on forecasted gross profit margin and discount rate to the cash flow projection. We have also enlisted our firm's internal valuation team to evaluate the reasonableness of the weighted average cost of capital used.

We also considered the adequacy of disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

## Report on the Audit of the Financial Statements (cont'd)

### Key Audit Matters (cont'd)

#### 2. Other receivables

##### *Description of key audit matter:*

As disclosed in Note 14 to the financial statements, the Group has other receivables amounting to RMB4,229,000 (2018: RMB8,178,000) as at 31 December 2019 which collectively accounted for approximately 5% (2018: 6%) of the Group's total assets as at 31 December 2019.

As described in Note 3 and 21 to the financial statements, ECL have been determined in accordance with SFRS(I) 9 *Financial Instruments*.

The ECL assessment of other receivables is considered a key audit matter as the balance forms a material portion of the Group's assets and the ECL assessment requires management to exercise judgement and make estimates with respect to the credit risk of the counterparties, the probability of default and loss given default. The assessment also involves considering forward looking information such as forecasts of future economic conditions.

##### *Our procedures to address the key audit matter:*

We have obtained an understanding of management's credit loss assessment of its other receivables. We assessed the reasonableness of management's judgement and assumptions applied in its credit loss assessment. We have also evaluated the adequacy and appropriateness of the disclosures made in the financial statements.

### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We are unable to conclude whether or not the other information is materially misstated with respect to the matters described in the *Basis for Qualified Opinion* section.

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

## Report on the Audit of the Financial Statements (cont'd)

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the members of Sincap Group Limited

## Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ong Kian Guan.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

15 April 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	Group	
		2019 RMB'000	2018 RMB'000
Revenue	4	330,693	267,380
Cost of sales		(314,310)	(253,472)
Gross profit		16,383	13,908
Other income	5	11	223
Administrative expenses		(9,606)	(9,908)
Finance costs	6	(1,701)	(33)
Other expenses		(1,084)	–
Profit before tax		4,003	4,190
Tax expense	7	(1,733)	(1,389)
<b>Profit for the financial year</b>	8	<b>2,270</b>	<b>2,801</b>
<b>Other comprehensive income:</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation, representing other comprehensive income for the financial year, net of tax		4,307	11,546
<b>Total comprehensive income for the financial year</b>		<b>6,577</b>	<b>14,347</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		2,267	(731)
Non-controlling interests		3	3,532
Profit for the financial year		2,270	2,801
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		6,573	7,393
Non-controlling interests		4	6,954
		6,577	14,347
<b>Earnings/(losses) per share for profit/(loss) attributable to equity holders of the Company (cents per share)</b>			
Basic and diluted	10	0.13	(0.06)

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

# STATEMENTS OF FINANCIAL POSITION

At 31 December 2019

	Note	Group		Company	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<b>Non-current assets</b>					
Plant and equipment	11	469	659	469	659
Goodwill	12	14,725	13,434	–	–
Investments in subsidiaries	13	–	–	138,543	136,750
		<b>15,194</b>	14,093	<b>139,012</b>	137,409
<b>Current assets</b>					
Trade and other receivables	14	252,070	255,263	70,374	121,133
Bank and cash balances		8,426	13,000	262	1,234
		<b>260,496</b>	268,263	<b>70,636</b>	122,367
<b>Total assets</b>		<b>275,690</b>	282,356	<b>209,648</b>	259,776
<b>Non-current liability</b>					
Borrowings	15	13,224	60,977	13,224	60,977
<b>Current liabilities</b>					
Trade and other payables	16	39,136	5,206	26,710	24,508
Borrowings	15	549	526	549	526
Income tax payable		1,863	1,306	73	71
		<b>41,548</b>	7,038	<b>27,332</b>	25,105
<b>Total liabilities</b>		<b>54,772</b>	68,015	<b>40,556</b>	86,082
<b>Net assets</b>		<b>220,918</b>	214,341	<b>169,092</b>	173,694
<b>Equity</b>					
Share capital	17	203,930	203,930	203,930	203,930
Accumulated profit/(losses)		14,380	12,113	(42,129)	(35,284)
Currency translation reserve	18	2,563	(1,743)	7,291	5,048
Equity attributable to equity holders of the Company, total		<b>220,873</b>	214,300	<b>169,092</b>	173,694
Non-controlling interests		45	41	–	–
<b>Total equity</b>		<b>220,918</b>	214,341	<b>169,092</b>	173,694

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

Note	← Attributable to equity holders of the Company →					Total equity RMB'000
	Share capital RMB'000	Accumulated profits/ (losses) RMB'000	Currency translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	
<b>Group</b>						
Balance at 1 January 2018	151,560	6,661	(9,867)	148,354	59,927	208,281
(Loss)/profit for the financial year	-	(731)	-	(731)	3,532	2,801
<i>Other comprehensive income</i>						
Currency translation differences arising on consolidation	-	-	8,124	8,124	3,422	11,546
Total comprehensive income/ (loss) for the financial year	-	(731)	8,124	7,393	6,954	14,347
Issue of shares	17	52,988	-	52,988	-	52,988
Share issue expenses	17	(618)	-	(618)	-	(618)
Changes in ownership interest in existing subsidiary that do not result in change of control	13(b)	-	6,183	6,183	(66,840)	(60,657)
Balance at 31 December 2018	203,930	12,113	(1,743)	214,300	41	214,341
Profit for the financial year	-	2,267	-	2,267	3	2,270
<i>Other comprehensive income</i>						
Currency translation differences arising on consolidation	-	-	4,306	4,306	1	4,307
Total comprehensive income for the financial year	-	2,267	4,306	6,573	4	6,577
<b>Balance at 31 December 2019</b>	<b>203,930</b>	<b>14,380</b>	<b>2,563</b>	<b>220,873</b>	<b>45</b>	<b>220,918</b>

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

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Note	Share capital RMB'000	Accumulated losses RMB'000	Currency translation reserve RMB'000	Total equity RMB'000
<b>Company</b>					
Balance at 1 January 2018		151,560	(31,065)	727	121,222
Net loss for the financial year		-	(4,219)	-	(4,219)
<i>Other comprehensive loss</i>					
Currency translation differences arising from translation into the presentation currency		-	-	4,321	4,321
Total comprehensive income/(loss) for the financial year		-	(4,219)	4,321	102
Issue of share capital	17	52,988	-	-	52,988
Share issue expenses	17	(618)	-	-	(618)
Balance at 31 December 2018		203,930	(35,284)	5,048	173,694
Net loss for the financial year		-	(6,845)	-	(6,845)
<i>Other comprehensive income</i>					
Currency translation differences arising from translation into the presentation currency		-	-	2,243	2,243
Total comprehensive income/(loss) for the financial year		-	(6,845)	2,243	(4,602)
<b>Balance at 31 December 2019</b>		<b>203,930</b>	<b>(42,129)</b>	<b>7,291</b>	<b>169,092</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Group	
	2019 RMB'000	2018 RMB'000
<b>Cash flows from operating activities</b>		
Profit before tax	4,003	4,190
Adjustments for:		
Depreciation of plant and equipment	237	226
Interest expense	1,701	33
Interest income	(1)	(1)
Operating cash flows before working capital changes	5,940	4,448
Receivables	6,655	(50,060)
Payables	33,483	(11,439)
Currency translation adjustments	228	56
Cash generated from/(used in) operations	46,306	(56,995)
Income tax paid	(1,200)	(5,761)
<b>Net cash generated from/(used in) operating activities</b>	<b>45,106</b>	<b>(62,756)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(39)	(78)
Interest received	1	1
<b>Net cash used in investing activities</b>	<b>(38)</b>	<b>(77)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,701)	(33)
Repayment of lease liabilities/finance lease liabilities	(192)	(201)
Repayment of bonds	(47,886)	-
Proceeds from issuance of new shares, net of issuance expenses	-	52,370
<b>Net cash (used in)/generated from financing activities</b>	<b>(49,779)</b>	<b>52,136</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,711)</b>	<b>(10,697)</b>
Cash and cash equivalents at beginning of financial year	13,000	22,855
Effects of exchange rate changes on cash and cash equivalents	137	842
<b>Cash and cash equivalents at end of financial year</b>	<b>8,426</b>	<b>13,000</b>

Cash and cash equivalents comprise the bank and cash balances in the statements of financial position.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. Corporate information

Sincap Group Limited (the “Company”) (Registration No. 201005161G) is domiciled and incorporated in Singapore and listed on Catalist of Singapore Exchange Securities Trading Limited. The Company’s registered address and principal place of business is at 6 Eu Tong Sen Street, #07-20, Singapore 059817.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements are presented in Chinese Renminbi (“RMB”) and all financial information presented in RMB are rounded to the nearest thousand (RMB’000) except when otherwise indicated. The financial statements have been prepared in accordance with the provisions of the Companies Act and Singapore Financial Reporting Standards (International) (“SFRS(I)”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

#### *Use of estimates and judgements*

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

The carrying amounts of bank and cash balances, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

#### *New and revised standards*

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INT”) that are relevant to its operations and effective for the current financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of these new/revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company except as disclosed below:

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

#### **SFRS(I) 16 Leases**

##### ***When the Group entity is the lessee***

SFRS(I) 16 replaces the existing SFRS(I) 1-17 Leases for financial periods beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a “right-of-use” asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

On adoption of SFRS(I) 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as “Operating Leases” under SFRS(I) 1-17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as at 1 January 2019.

The adoption of SFRS(I) 16 does not have a significant impact on the Group’s financial position and financial results for the financial year ended 31 December 2019.

### (b) Revenue recognition

*Sale of goods*

Revenue is recognised when control over a product is transferred to the customer at the port of departure. Revenue is recognised based on the price satisfied in the contract. The credit term of 30 days is consistent with market practice and therefore, no element of financing is deemed present. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

*Interest income*

Interest income is recognised using the effective interest method.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and plant and equipment, are eliminated in full.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (c) Basis of consolidation (cont'd)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policies stated in Note 2(e). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this result in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition date fair value or, when applicable, on the basis specified in another standard.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to equity holders of the Company.

### (d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (e) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

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

### (f) Government grants

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

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

### (g) Employee benefits

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

#### *Employee leave entitlement*

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

### (h) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

### (j) Plant and equipment

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to write off the depreciable value of plant and equipment, less any estimated residual value over their estimated useful lives. The estimated useful lives are as follows:

	<b>Years</b>
Plant and machinery	3 to 15
Office equipment	3 to 10
Motor vehicles	4 to 10

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (k) Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

### (l) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise on demand deposits and highly liquid debt instruments purchased with an original maturity of three months or less, and bank and cash balances less cash subject to restriction that form an integral part of the Group's cash management.

### (m) Financial assets

#### **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

#### **Classification and measurement**

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

The Group classifies its financial assets at amortised cost.

The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (m) Financial assets (cont'd)

#### **Subsequent measurement**

Debt instruments include bank and cash balances and trade and other receivables (excluding advance to suppliers) on the statements of financial position. The financial assets, depending on the Group's business model for managing the asset and cash flow characteristics of the asset, are subsequently measured at amortised cost.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

#### **Impairment**

The Group recognises an allowance for expected credit losses ("ECL") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL").

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

For trade receivables that do not have a significant financing component, the Group applies a debtor-specific assessment to recognise a loss allowance based on lifetime ECL at each reporting date.

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

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

#### **Offset**

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (n) Financial liabilities

Financial liabilities include trade and other payables (excluding advances from customer) and borrowings. Financial liabilities are recognised on the statements of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

Bond issued by the Company includes an option by the Company to settle the bond by cash or by delivering the Company's shares at a fixed issued price per share.

The bond is initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The bond is extinguished on conversion or redemption.

### (o) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

### (p) Leases

*The accounting policy for leases before 1 January 2019 is as follows:*

#### *Finance leases*

Leases of plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

#### *Operating leases*

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (p) Leases (cont'd)

*The accounting policy for leases after 1 January 2019 is as follows:*

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

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liabilities*

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

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented within “borrowings” in the statements of financial position.

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

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

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (p) Leases (cont'd)

#### *Right-of-use assets (cont'd)*

The right-of-use assets are presented within “plant and equipment” in the statements of financial position.

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

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease component as a single arrangement. The Group has applied this practical expedient to all its leases.

### (q) Share capital

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

### (r) Foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”).

The Company’s functional currency is United States Dollar (“USD”).

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are presented in Chinese Renminbi (“RMB”) as the Group’s long-term strategy is to develop core business operations in the People’s Republic of China (“PRC”).

#### *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations, borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### *Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group’s presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and
- (iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

### (r) Foreign currencies (cont'd)

*Translation of Group entities' financial statements (cont'd)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

### (s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

## 3. Critical accounting judgements and key sources of estimation uncertainty

### *Critical judgements in applying the entity's accounting policies*

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

#### (a) *Going concern assumption*

As at 31 December 2019, the Group's net current asset position amounted to RMB218,948,000. Current assets of the Group included trade receivables due from a related party of RMB225,290,000.

As disclosed in Note 3(c), the calculation of expected credit losses ("ECL") on receivables is subject to assumptions and forecasts and any changes to these estimations will affect the ECL allowance and carrying amount of receivables. In the event that an allowance for ECL is required on the trade receivable due from a related party, this may have an impact on the net current asset position of the Group and may indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern is dependent on:

- (i) Collection of the balance due from the related party;
- (ii) Collection of the loan extended to Richardson 1 Pty Ltd;
- (iii) The ability of the Group to generate sufficient cash flows from their operations to meet their current and future obligations; and
- (iv) The continuing financial support from shareholders and a director of the Company.

After considering the measures described above, the directors and the management believe that the Group have adequate resources to continue their operations as a going concern.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

### 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

#### ***Critical judgements in applying the entity's accounting policies (cont'd)***

##### *(b) Functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required by management to determine the primary economic environment in which the entities operate, the entities' process of determining sales prices and the currency of the country whose competitive forces and regulations mainly influences the prices of its goods and services. Management has assessed these factors in determining the functional currency of each entity within the Group, and concluded that the functional currency of the entities of the Group is their respective local currency.

#### ***Key sources of estimation uncertainty***

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

##### *(c) Calculation of loss allowance for financial assets at amortised cost*

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

As the calculation of loss allowance on receivables and loans is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables and loans. Details of ECL measurement and carrying values of trade receivables, other receivables and loans at reporting date are disclosed in Note 21.

##### *(d) Impairment of goodwill*

Goodwill is tested for impairment annually and at other times when there are any indicators of impairment. An impairment exists when the carrying value of the cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill and details of impairment assessment are disclosed in Note 12.

##### *(e) Income taxes*

The Group has exposure to income taxes in Singapore and Australia. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables at the end of the reporting period is as disclosed on the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 4. Revenue

All sales are recognised at a point in time.

	Group	
	2019	2018
	RMB'000	RMB'000
Sale of coal	<b>330,693</b>	267,380

## 5. Other income

	Group	
	2019	2018
	RMB'000	RMB'000
Interest income		
- Banks	1	1
Government grant	10	-
Foreign exchange gain	-	222
	<b>11</b>	223

## 6. Finance costs

	Group	
	2019	2018
	RMB'000	RMB'000
Interest expense - lease liabilities/finance lease liabilities	26	33
Interest expense - bond	1,675	-
	<b>1,701</b>	33

## 7. Tax expense

	Group	
	2019	2018
	RMB'000	RMB'000
Tax expense attributable to profits is made up of:		
Income tax:		
- Current year	1,773	1,187
- (Over)/underprovision in prior years	(40)	202
	<b>1,733</b>	1,389



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 7. Tax expense (cont'd)

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	Group	
	2019 RMB'000	2018 RMB'000
Profit before tax	4,003	4,190
Tax calculated at tax rate of 17% (2018: 17%)	681	712
Effect of different tax rates in other countries	(13)	(20)
Expenses not deductible for tax purposes	870	392
Effect of tax incentive	(182)	(176)
(Over)/underprovision of income tax in prior years	(40)	202
Deferred tax assets not recognised	417	279
	<b>1,733</b>	<b>1,389</b>

At the end of the reporting period, the statutory income tax rate applicable for companies incorporated in the following countries are as follows:

Country of incorporation	Statutory income tax rate	
	2019	2018
Singapore	17%	17%
Australia	30%	30%

As at 31 December 2019, the Group has unutilised tax losses of approximately RMB9,883,000 (2018: RMB7,430,000) available for carry-forward to offset against future taxable income, subject to agreement of the tax authority and compliance with the certain provisions of the tax legislation of the respective countries in which the companies operate. Deferred tax assets in respect of tax losses carried forward have not been recognised in the financial statements as it is not probable that future taxable profits will be sufficient to allow the unabsorbed tax losses to be realised in the foreseeable future.

## 8. Profit for the financial year

	Group	
	2019 RMB'000	2018 RMB'000
Profit for the financial year is arrived at after charging:		
Audit fees paid to:		
- auditor of the Company	370	344
Non-audit fees paid to:		
- auditor of the Company	76	69
- other auditors*	62	106
Depreciation of plant and equipment (Note 11)	237	226
Directors' fees	633	730
Foreign exchange loss, net	1,084	-
Operating lease expenses	-	224
Staff costs (Note 9)	3,990	3,396

\* Includes independent member firms of the Baker Tilly International network.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 9. Staff costs

	Group	
	2019 RMB'000	2018 RMB'000
Salaries and related costs	3,784	3,326
Defined contribution plans	206	70
	<b>3,990</b>	<b>3,396</b>

## 10. Earnings/(losses) per share

The calculation of the basic and diluted earnings/(losses) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2019	2018
Net profit/(loss) attributable to equity holders of the Company (RMB'000)	<b>2,267</b>	(731)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	<b>1,701,000</b>	1,172,192
Basic and diluted earnings/(losses) per share (cents per share)	<b>0.13</b>	(0.06)

Basic earnings/(losses) per share and diluted earnings/(losses) per share are the same for financial year ended 31 December 2019 and 31 December 2018 as the Bond is anti-dilutive.

## 11. Plant and equipment

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Group Cost</b>			
At 1 January 2018	73	1,575	1,648
Additions	78	–	78
Translation differences	9	86	95
At 31 December 2018	160	1,661	1,821
Additions	39	–	39
Translation differences	2	24	26
<b>At 31 December 2019</b>	<b>201</b>	<b>1,685</b>	<b>1,886</b>
<b>Accumulated depreciation</b>			
At 1 January 2018	58	829	887
Charge for the year	39	187	226
Translation differences	3	46	49
At 31 December 2018	100	1,062	1,162
Charge for the year	51	186	237
Translation differences	2	16	18
<b>At 31 December 2019</b>	<b>153</b>	<b>1,264</b>	<b>1,417</b>
<b>Net carrying value</b>			
<b>At 31 December 2019</b>	<b>48</b>	<b>421</b>	<b>469</b>
At 31 December 2018	60	599	659

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 11. Plant and equipment (cont'd)

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Company</b>			
<b>Cost</b>			
At 1 January 2018	73	1,575	1,648
Additions	78	–	78
Translation differences	9	86	95
At 31 December 2018	160	1,661	1,821
Additions	39	–	39
Translation differences	2	24	26
<b>At 31 December 2019</b>	<b>201</b>	<b>1,685</b>	<b>1,886</b>
<b>Accumulated depreciation</b>			
At 1 January 2018	58	829	887
Charge for the year	39	187	226
Translation differences	3	46	49
At 31 December 2018	100	1,062	1,162
Charge for the year	51	186	237
Translation differences	2	16	18
<b>At 31 December 2019</b>	<b>153</b>	<b>1,264</b>	<b>1,417</b>
<b>Net carrying value</b>			
<b>At 31 December 2019</b>	<b>48</b>	<b>421</b>	<b>469</b>
At 31 December 2018	60	599	659

(a) Included in plant and equipment of the Group and the Company are right-of-use assets of RMB421,000 (1.1.2019: RMB599,000) (Note 19).

(b) At 31 December 2018, the net carrying value of motor vehicle of the Group and the Company acquired under finance lease agreements amounted to RMB599,000.

## 12. Goodwill

	Group	
	2019 RMB'000	2018 RMB'000
At 1 January	13,434	13,434
Currency translation differences	1,291	–
<b>At 31 December</b>	<b>14,725</b>	<b>13,434</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 12. Goodwill (cont'd)

### *Impairment testing of goodwill*

Goodwill acquired in a business combination is allocated to the cash-generating unit ("CGU") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Coal trading	<b>14,725</b>	13,434

The recoverable amount for the above CGU has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a 5-year period.

The calculations of value-in-use for the above CGU are most sensitive to the following assumptions:

**Forecast gross margins** - Gross margins are based on the company's performance, current market and economic condition as at the time of preparation and reporting date. If there is any adverse change in the assumptions and other unforeseen factors such as new entrance in market, political, economic, social, technological, environmental and legal then it may result in impairment loss;

**Forecast revenue** - Revenue is computed based on the order book and the potential contract with available information; and

**Pre-tax discount rates** - Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the financial structure of the Group, the industry environment and the economic conditions within which the Group operates and is derived from its weighted average cost of capital which takes into account both debt and cost of equity. The cost of debt is based on the average Singapore's bank prime lending rate. The cost of equity is derived from the minimum acceptable return on investment required by shareholders. The risk factors are considered in the computation of beta.

The pre-tax and post-tax discount rates applied to the cash flow projections are as follows:

	<b>Coal trading</b>	
	<b>2019</b>	2018
	%	%
Pre-tax discount rates	<b>14</b>	17
Post-tax discount rates	<b>12</b>	12

The terminal growth rate used in the value-in-use calculation is 0% (2018: 1.21%).

As at 31 December 2019, the estimated recoverable amount is higher than its carrying amount. A decrease in the gross margin from 3.0% to 2.8% (2018: 4.9% to 4.4%) or an increase in the pre-tax discount rate from 14% to 14.8% (2018: 17% to 20%) would result in the recoverable amount being equal to its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 13. Investments in subsidiaries

	Company	
	2019 RMB'000	2018 RMB'000
<i>Unquoted equity shares at cost</i>		
At 1 January	177,988	117,331
Additions	–	60,657
Currency translation differences	1,951	–
	<b>179,939</b>	177,988
Less: Allowance for impairment in value	<b>(41,396)</b>	(41,238)
<b>At 31 December</b>	<b>138,543</b>	136,750

Movement in allowance for impairment in value:

	Company	
	2019 RMB'000	2018 RMB'000
At 1 January	41,238	41,238
Currency translation differences	158	–
<b>At 31 December</b>	<b>41,396</b>	41,238

(a) The subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
<i>Subsidiaries held by the Company</i>				
Sincap Australia Pte. Ltd. <sup>1</sup>	Singapore	Investment holding	100.0	100.0
Sincap Properties Pte. Ltd. <sup>1</sup>	Singapore	Investment holding and real estate activities	100.0	100.0
Orion Energy Resources Pte. Ltd. ("Orion") <sup>1</sup>	Singapore	Mineral trading and logistic management	99.9	99.9
<i>Subsidiaries held by Sincap Australia Pte. Ltd.</i>				
Sincap Land (Aus) Pty Ltd <sup>2</sup>	Australia	Dormant	100.0	100.0
SCL Murray Pty Ltd <sup>2</sup>	Australia	Dormant	100.0	100.0
<i>Subsidiary held by Sincap Properties Pte. Ltd.</i>				
Chengdu Weili Assets Management Co., Ltd. <sup>2</sup>	People's Republic of China	Dormant	100.0	100.0

<sup>1</sup> Audited by Baker Tilly TFW LLP

<sup>2</sup> Not required to be audited under the law of incorporation, audited by Baker Tilly TFW LLP for the purpose of preparation of the consolidated financial statements

As at 31 December 2019, the Group has not contributed charter capital to Sincap Properties Pte. Ltd.'s wholly owned subsidiary, Chengdu Weili Assets Management Co., Ltd in the People's Republic of China.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 13. Investments in subsidiaries (cont'd)

- (b) Changes in ownership interest in existing subsidiaries that do not result in change of control

In December 2018, the Company acquired 7,595,000 ordinary shares in Orion from the non-controlling interests (“Vendor”) at a consideration of RMB60,657,000 (S\$12,000,000). The total consideration is satisfied by issuance of bond (Note 15(c)) with maturity period of 3 years. As a result, the Company’s ownership interest in Orion increased from 51.0% to 99.9%. The difference between the consideration and the carrying value of the identified net assets acquired of RMB66,840,000 has been recognised within equity.

## 14. Trade and other receivables

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Trade receivable – third party	11,027	169,741	–	–
Trade receivable – related party (a)	225,290	–	–	–
	<b>236,317</b>	169,741	–	–
Other receivables (b)	13,351	17,246	–	–
Subsidiaries (non-trade)	–	–	70,240	121,070
Advance to suppliers	11,390	77,281	–	–
Deposits	134	63	134	63
	<b>24,875</b>	94,590	<b>70,374</b>	121,133
Less: Allowance for impairment	(9,122)	(9,068)	–	–
	<b>15,753</b>	85,522	<b>70,374</b>	121,133
	<b>252,070</b>	255,263	<b>70,374</b>	121,133

Movement in allowance for impairment during the financial year are as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
At beginning of the year	9,068	9,679	–	–
Currency translation differences	54	(611)	–	–
At end of the year	<b>9,122</b>	9,068	–	–

- (a) During the financial year, the total trade balance due from a related party amounted to RMB225,290,000 (equivalent to US\$32,392,000).
- (b) Included in other receivables is a loan of RMB13,261,000 (2018: RMB17,165,000) to Richardson 1 Pty Ltd (“Richardson loan”) extended by a subsidiary, SCL Murray Pty Ltd. The loan is unsecured and the Group have previously made an impairment loss on Richardson loan amounting to RMB9,679,000 in the financial year ended 31 December 2017.

In January 2019, the Group has entered into a revised settlement agreement where an upfront payment of AUD220,000 was received, and thereafter a monthly payment of AUD60,000 from March 2019 until the loan is fully settled. The loan bears interest of 7% per annum. During the financial year, the amount of AUD820,000 (equivalent to RMB3,958,000) was received.

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand, except for an amount of RMB52,076,529 (2018: RMB72,534,344), which bears interest at 7% (2018: 7%) per annum and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 15. Borrowings

	Group and Company	
	2019	2018
	RMB'000	RMB'000
<i>Non-current</i>		
Finance lease liabilities (Note (a))	-	494
Bond (Note (c))	12,928	60,483
Lease liabilities	296	-
	<b>13,224</b>	<b>60,977</b>
<i>Current</i>		
Finance lease liabilities (Note (a))	-	197
Term loan (Note (b))	338	329
Lease liabilities	211	-
	<b>549</b>	<b>526</b>
	<b>13,773</b>	<b>61,503</b>

(a) Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16.

	Group and Company	
	2018	
	Minimum lease payments	Present value
	RMB'000	RMB'000
Not later than one financial year	223	197
Later than one financial year but not later than five financial years	519	494
Total minimum lease payments	742	
Less: future finance charges	(51)	
Present value of lease payments	691	691
Representing lease liabilities:		
Current	197	
Non-current	494	
	691	
Effective interest rate (%)	4.25	

The average lease term is 8 years. The net carrying value of motor vehicles acquired under finance lease is disclosed in Note 11.

(b) Term loan

The short-term loan is unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 15. Borrowings (cont'd)

### (c) Bond

On 19 December 2018, the Company issued bond ("Bond") denominated in Singapore Dollar with a principal amount of S\$12,000,000 as consideration for the acquisition of additional interest in Orion. The Bond bears interest at 5% per annum and mature on 19 December 2021, but may be redeemed before maturity at the Company's option through cash payment and/or issuance of new fully-paid ordinary shares of the Company based on a fixed issue price of S\$0.012 per new share ("Redemption Shares"). In deciding the method of redemption, the Company will monitor its shareholdings and ensure that Redemption Shares will not be issued to the Vendor such that:

- (a) the Vendor and/or any person who may have an interest in such Redemption Shares through the Vendor will become a Controlling Shareholder of the Company, as defined under the Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited;
- (b) a mandatory offer is triggered in accordance with the Singapore Code on Take-overs and Mergers.

In determining whether any issuance of Redemption Shares may result in a change of controlling interest or trigger a mandatory offer, the Company shall take into consideration the existing share interests, if any, of the Vendor and/or any person who, through the Vendor, may have an interest in the Redemption Shares to be issued.

As at 31 December 2019, the Bond is classified as non-current liabilities. The directors have confirmed in a resolution that the Company has no intention to redeem the Bond through the issuance of ordinary shares in the capital of the Company.

### (d) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	<b>Term loan</b>	<b>Finance lease</b>	<b>Lease</b>	<b>Bond</b>	<b>Total</b>
	<b>RMB'000</b>	<b>liabilities</b>	<b>liabilities</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Balance at 1 January 2018	318	852	-	-	1,170
Changes from financing cash flows:					
- Repayment	-	(201)	-	-	(201)
- Interest paid	-	(33)	-	-	(33)
Non-cash changes:					
- Acquisition of non-controlling interests	-	-	-	60,657	60,657
- Interest expense	-	33	-	-	33
- Translation differences	11	40	-	(174)	(123)
Balance at 31 December 2018	329	691	-	60,483	61,503
Reclassification from finance lease liabilities	-	(691)	691	-	-
Changes from financing cash flows:					
- Repayments	-	-	(192)	(47,886)	(48,078)
- Interest paid	-	-	(26)	(1,675)	(1,701)
Non-cash changes:					
- Interest expense	-	-	26	1,675	1,701
- Translation differences	9	-	8	331	348
<b>Balance at 31 December 2019</b>	<b>338</b>	<b>-</b>	<b>507</b>	<b>12,928</b>	<b>13,773</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 16. Trade and other payables

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Trade payables	35,938	–	–	–
Accrued operating expenses	3,010	5,021	2,528	4,648
Due to subsidiaries	–	–	24,132	19,729
Advances from customers	55	54	–	–
Due to a director	133	131	50	131
	<b>39,136</b>	<b>5,206</b>	<b>26,710</b>	<b>24,508</b>

Amount due to subsidiaries and director are non-trade in nature, unsecured, interest-free and payable on demand.

## 17. Share capital

	Group and Company			
	2019		2018	
	Number of issued shares '000	Issued share capital RMB'000	Number of issued shares '000	Issued share capital RMB'000
At 1 January	1,701,000	203,930	900,500	151,560
Issuance of ordinary shares	–	–	800,500	52,988
Share issue expenses	–	–	–	(618)
<b>At 31 December</b>	<b>1,701,000</b>	<b>203,930</b>	<b>1,701,000</b>	<b>203,930</b>

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

## 18. Currency translation reserve

Currency translation reserve arises from the translation of the financial statements of entities within the Group whose functional currencies are different from the Group's presentation currency.

## 19. Leases

*Before 1 January 2019*

Operating lease payments are for rentals payable for the office premises. The leases from the owner are for two years. The lease rental terms are negotiated for an average term of two years and rentals are fixed. No restrictions on dividends or future leasing.

As at 31 December 2018, commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are payable as follows:

	Group 2018 RMB'000
Not later than one financial year	254
Later than one financial year but not later than five financial years	21
	<b>275</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 19. Leases (cont'd)

After 1 January 2019

As disclosed in Note 2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statements of financial position as at 1 January 2019, except for short-term and low value assets leases.

The Group leases office premises and equipment from non-related parties. The leases have an average tenure of between two to nine years.

The maturity analysis of the lease liabilities is disclosed in Note 21(b).

Information about leases for which the Group is a lessee is presented below:

	<b>31.12.2019</b>	1.1.2019
	<b>RMB'000</b>	RMB'000
<b>Carrying amount of right-of-use assets</b>		
Classified within plant and equipment (Note 11)	<b>421</b>	599
		<b>2019</b>
		<b>RMB'000</b>
<b>Amounts recognised in profit or loss</b>		
Depreciation charge for the year		<b>187</b>
Lease expense not included in the measurement of lease liabilities		<b>21</b>
Interest expense on lease liabilities		<b>26</b>
		<b>234</b>

## 20. Related party transactions

- (a) Other than as disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned.

	<b>Group</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Sales to a related party	<b>307,882</b>	92,441

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 20. Related party transactions (cont'd)

(b) Key management personnel compensation is analysed as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Directors of the Company:		
- Remuneration of directors	2,131	1,916
- Directors' fees	633	730
	<b>2,764</b>	2,646
Other key management personnel:		
- Short-term employee benefits	962	723
- Defined contribution benefits	69	32
	<b>1,031</b>	755
	<b>3,795</b>	3,401

## 21. Financial instruments

### (a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
<i>Financial assets</i>				
Financial assets at amortised cost	<b>249,106</b>	190,982	<b>70,636</b>	122,367
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	<b>52,854</b>	66,655	<b>40,483</b>	86,011

### (b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance. The policies for managing each of these risks are summarised below. The directors review and agree policies and procedures for the management of these risks.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 21. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### *Foreign currency risk*

The Group has currency exposure arising from transactions, assets and liabilities that are denominated in currencies other than respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly Singapore dollars ("SGD"), Australian dollars ("AUD") and United States dollars ("USD").

At the end of the reporting period, the Group and the Company have the following financial assets and liabilities denominated in foreign currencies based on information provided to key management.

	← 2019 →			← 2018 →		
	SGD RMB'000	AUD RMB'000	USD RMB'000	SGD RMB'000	AUD RMB'000	USD RMB'000
<b>Group</b>						
Bank and cash balances	468	60	130	1,428	59	82
Trade and other receivables	4,649	-	-	145	-	-
Borrowings	(13,773)	-	-	(61,503)	-	-
Trade and other payables (including intra-group balances)	(39,369)	-	-	(19,268)	-	-
Net financial (liabilities)/assets denominated in foreign currencies	(48,025)	60	130	(79,198)	59	82
<b>Company</b>						
Bank and cash balances	261	-	-	1,230	-	-
Trade and other receivables	379	-	-	63	-	-
Borrowings	(13,773)	-	-	(61,503)	-	-
Trade and other payables	(24,088)	-	-	(19,069)	-	-
Net financial (liabilities)/assets denominated in foreign currencies	(37,221)	-	-	(79,279)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 21. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### *Foreign currency risk (cont'd)*

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates against the respective functional currencies of the Group and the Company's entities, with all other variables held constant, of the Group and the Company's profit/(loss) after tax:

	Group		Company	
	Increase/(decrease) in profit after tax		Increase/(decrease) in loss after tax	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>SGD/USD</b>				
- strengthened 10% (2018: 10%)	<b>(3,986)</b>	(6,573)	<b>3,089</b>	6,580
- weakened 10% (2018: 10%)	<b>3,986</b>	6,573	<b>(3,089)</b>	(6,580)
<b>AUD/USD</b>				
- strengthened 10% (2018: 10%)	<b>5</b>	5	-	-
- weakened 10% (2018: 10%)	<b>(5)</b>	(5)	-	-
<b>USD/SGD</b>				
- strengthened 10% (2018: 10%)	<b>11</b>	7	-	-
- weakened 10% (2018: 10%)	<b>(11)</b>	(7)	-	-

#### *Interest rate risk*

The Group's and the Company's exposures to interest rate risk arises primarily from their borrowings and interest-bearing loans to related parties. Borrowings and loans to related parties at variable rates expose the Group and the Company to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). Borrowings at fixed rates expose the Group and Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates) (Note 15).

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The sensitivity analysis for interest rate risk is not disclosed as the effect on the profit or loss is considered not significant.

#### *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposures to credit risk arises primarily from trade and other receivables. For other financial assets including bank and cash balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. For customers who wish to trade on credit terms, the Group will take into account the quantity of the customer order, background and creditworthiness of the customer, level of risk involved, payment history of the customer and relationship with the customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 21. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### **Credit risk (cont'd)**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's trade receivables comprise 1 (2018: 1) debtor that individually represented 95% (2018: 100%) of the trade receivables. In addition, the Richardson loan as disclosed in Note 14 is a significant portion of other receivables of the Group.

The Company has significant concentration of credit risk exposure arising on amounts due from subsidiaries (Note 14). Non-trade balances due from subsidiaries are generally repayable on demand and are not past due as at the end of the reporting period.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position.

The following sets out the Group's internal Credit Evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

<b>Description of evaluation of financial assets</b>	<b>Basis for recognition and measurement of ECL</b>
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been significant increase in credit risk since initial recognition	Lifetime ECL- not-credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL-credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.	Write-off

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results / key financial performance ratios of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 21. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### **Credit risk (cont'd)**

##### *Significant increase in credit risk (cont'd)*

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

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

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

##### *Definition of default*

The Group considers information developed internally or obtained from external sources indicating that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group) as constituting an event of default for internal credit risk management purposes as historical experience indicates that such receivables are generally not recoverable.

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

##### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

##### *Trade receivables*

The Group has 2 customers and applied debtor-specific assessment to measure the lifetime expected credit loss allowance for trade receivables. The Group estimates the expected credit loss rates based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

There has been no change in the estimation techniques or significant assumptions made during the current financial year. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

The Group assesses the concentration of risk with respect to trade receivables as high, as there are only two customers at the end of the reporting period. As at 31 December 2019, the Group assesses the expected credit loss to be insignificant and concluded that no credit loss allowance is required to be recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 21. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### Credit risk (cont'd)

##### Other financial assets at amortised cost

Other financial assets at amortised cost include loans to subsidiaries, other receivables and bank and cash balances.

The credit loss for bank and cash balances and other receivables (excluding Loan to Richardson 1 Pty Ltd) are immaterial as at 31 December 2019.

The table below details the credit quality of the Group's and the Company's financial assets:

2019	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
<b>Group</b>				
Trade receivables	Lifetime ECL	236,317	–	236,317
Deposits	N.A. Exposure Limited	134	–	134
Other receivables (Loan to Richardson)	Lifetime ECL	13,261	(9,122)	4,139
Other receivables (Others)	12-month ECL	90	–	90
Bank and cash balances	N.A. Exposure Limited	8,426	–	8,426
<b>Company</b>				
Deposits	N.A. Exposure Limited	134	–	134
Subsidiaries	12-month ECL	70,240	–	70,240
Bank and cash balances	N.A. Exposure Limited	262	–	262
<b>2018</b>				
<b>Group</b>				
Trade receivables	Lifetime ECL	169,741	–	169,741
Deposits	N.A. Exposure Limited	63	–	63
Other receivables (Loan to Richardson)	Lifetime ECL	17,165	(9,068)	8,097
Other receivables (Others)	12-month ECL	81	–	81
Bank and cash balances	N.A. Exposure Limited	13,000	–	13,000
<b>Company</b>				
Deposits	N.A. Exposure Limited	63	–	63
Subsidiaries	12-month ECL	121,071	–	121,071
Bank and cash balances	N.A. Exposure Limited	1,234	–	1,234



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 21. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### **Credit risk (cont'd)**

##### *Loan to Richardson 1 Pty Ltd*

The Group provided a loan to Richardson 1 Pty Ltd ("Richardson loan") extended by a subsidiary, SCL Murray Pty Ltd.. The impairment loss allowance is measured using lifetime ECL by taking into consideration the probability of default and loss given default based on historical experience and forward-looking information available to the Group. The Group took into consideration repayments received during the financial year and on-going discussions with the debtor when assessing the probability of default and the loss given default for the loan. Accordingly, the Group measured the impairment loss allowance using lifetime ECL and made an impairment loss of the Richardson loan.

#### **Liquidity risk**

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and Company maintains sufficient cash and bank balances and internally generated cash flows to finance its activities.

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments:

	<b>Within 1 year RMB'000</b>	<b>Within 2 to 5 years RMB'000</b>	<b>Total RMB'000</b>
<b>Group</b>			
<b>2019</b>			
Borrowings	338	13,266	13,604
Lease liabilities	229	305	534
Trade and other payables	39,081	–	39,081
	<b>39,648</b>	<b>13,571</b>	<b>53,219</b>
<b>2018</b>			
Borrowings	329	73,184	73,513
Finance lease liabilities	223	519	742
Trade and other payables	5,152	–	5,152
	<b>5,704</b>	<b>73,703</b>	<b>79,407</b>
<b>Company</b>			
<b>2019</b>			
Borrowings	338	13,266	13,604
Lease liabilities	229	305	534
Trade and other payables	26,710	–	26,710
	<b>27,277</b>	<b>13,571</b>	<b>40,848</b>
<b>2018</b>			
Borrowings	329	73,184	73,513
Finance lease liabilities	223	519	742
Trade and other payables	24,508	–	24,508
	<b>25,060</b>	<b>73,703</b>	<b>98,763</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 22. Fair values of financial instruments

The carrying amounts of financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period or that there are no significant changes in the interest borrowing rates available to the Group at the end of the reporting period.

## 23. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares and sell assets to reduce debts. Adjusted capital comprises all components of equity (that is, share capital and reserves).

There were no changes in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less bank and cash balances. Total capital is calculated as equity plus net debt.

	Group	
	2019 RMB'000	2018 RMB'000
Trade and other payables	39,136	5,206
Borrowings	13,773	61,503
Less: Bank and cash balances	(8,426)	(13,000)
Net debt	<b>44,483</b>	53,709
Equity attributable to the equity holders of the Company	<b>220,873</b>	214,300
Total capital	<b>265,356</b>	268,009
Gearing ratio	<b>17%</b>	20%

## 24. Segment information

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) 8 *Operating Segments*. This disclosure standard has no impact on the reported results or financial position of the reporting entity.

For management purposes the Group is organised into the following major strategic operating segments: coal products and property. 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 type of products and services are as follows:

- (i) Coal products segment represents the business of trading and sale of coal.
- (ii) Property segment represents property development and property investment.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 24. Segment information (cont'd)

The management reporting system evaluates performances based on a number of factors. The primary profitability measurement to evaluate segment's operating results comprises two major financial indicators:

- (i) earnings from operation before depreciation, amortisation, interests and income taxes ("Recurring EBITDA"); and
- (ii) operating result before interests and income taxes and other unallocated items ("ORBIT").

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

*Profit or loss from continuing operations and reconciliations*

	<b>Coal products RMB'000</b>	<b>Property RMB'000</b>	<b>Others RMB'000</b>	<b>Eliminations RMB'000</b>	<b>Group RMB'000</b>
<b>2019</b>					
<b>Revenue by Segment, representing total revenue</b>	330,693	–	–	–	<b>330,693</b>
<b>Recurring EBITDA</b>	11,045	(125)	–	–	10,920
Depreciation and amortisation	–	–	(237)	–	(237)
<b>ORBIT</b>	11,045	(125)	(237)	–	10,683
Other income	–	–	3,798	(3,787)	11
Interest income					1
Finance costs					(1,701)
Unallocated corporate expenses					(4,991)
<b>Profit before income tax</b>					<b>4,003</b>
Income tax expenses					(1,733)
<b>Profit, net of tax</b>					<b>2,270</b>
<b>2018</b>					
<b>Revenue by Segment, representing total revenue</b>	267,380	–	–	–	<b>267,380</b>
<b>Recurring EBITDA</b>	8,598	(155)	–	–	8,443
Depreciation and amortisation	–	–	(226)	–	(226)
<b>ORBIT</b>	8,598	(155)	(226)	–	8,217
Other income	–	–	5,054	(5,054)	–
Interest income					1
Finance costs					(33)
Unallocated corporate expenses					(3,995)
<b>Profit before tax</b>					<b>4,190</b>
Income tax expense					(1,389)
<b>Profit, net of tax</b>					<b>2,801</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 24. Segment information (cont'd)

### *Assets and reconciliation*

	Coal products RMB'000	Property RMB'000	Total RMB'000
<b>2019</b>			
Total assets for reportable segment	270,260	4,368	<b>274,628</b>

### *Unallocated*

Plant and equipment			469
Other receivables			134
Bank and cash balances			459
Total group assets			<b>275,690</b>

2018

Total assets for reportable segment	272,003	8,152	280,155
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### *Unallocated*

Plant and equipment			659
Other receivables			63
Bank and cash balances			1,479
Total group assets			<b>282,356</b>

### *Liabilities and reconciliation*

	Coal products RMB'000	Property RMB'000	Total RMB'000
<b>2019</b>			
Total liabilities for reportable segment	36,342	96	36,438

### *Unallocated*

Income tax payables			1,863
Trade and other payables			2,698
Borrowings			13,773
Total group liabilities			<b>54,772</b>

2018

Total liabilities for reportable segment	253	62	315
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### *Unallocated*

Income tax payables			1,306
Trade and other payables			4,891
Borrowings			61,503
Total group liabilities			<b>68,015</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 24. Segment information (cont'd)

### *Geographical information*

Revenue and non-current assets (which exclude any financial instruments) information based on the entity's country of domicile are as follows:

	Revenue		Non-current assets	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Singapore	<b>330,693</b>	267,380	<b>15,194</b>	14,093

### *Information about major customers*

Revenue of approximately RMB330,693,000 (2018: RMB267,380,000) are derived from 1 (2018: 2) related party (2018: external customers) that individually contributes to more than 10% of the Group revenue and are attributable to the coal products segment.

## 25. Subsequent events

In late December 2019, there was an outbreak of coronavirus ("Covid-19") in the People's Republic of China ("PRC") and other countries. The Group is closely monitoring the development of the Covid-19 outbreak and will adjust business strategies to better mitigate against challenges posed by this outbreak.

## 26. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors dated 15 April 2020.

# SHAREHOLDERS' INFORMATION

As at 20 March 2020

## STATISTICS OF SHAREHOLDINGS

### SHARE CAPITAL

Issued and fully paid	:	SGD42,949,712.10
Number of shares	:	1,701,000,410
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote for each ordinary share
Treasury shares	:	Nil

The Company does not hold any subsidiary holdings.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	53	6.52	22,435	0.00
1,001 - 10,000	34	4.18	250,100	0.02
10,001 - 1,000,000	635	78.11	173,519,900	10.20
1,000,001 AND ABOVE	91	11.19	1,527,207,975	89.78
<b>TOTAL</b>	<b>813</b>	<b>100.00</b>	<b>1,701,000,410</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	501,561,100	29.49
2	KGI SECURITIES (SINGAPORE) PTE. LTD.	421,130,500	24.76
3	CHU MING KIN	140,090,200	8.24
4	UOB KAY HIAN PRIVATE LIMITED	32,302,375	1.90
5	OCBC SECURITIES PRIVATE LIMITED	27,690,300	1.63
6	RHB SECURITIES SINGAPORE PTE. LTD.	21,990,000	1.29
7	FONG KIM CHIT	19,690,000	1.16
8	WONG SZE PONG	18,333,000	1.08
9	XU JINJI	18,333,000	1.08
10	IP MIU HING	17,500,000	1.03
11	JERRY TAN SIANG HUP	17,000,000	1.00
12	WEI FANGYANG	15,960,000	0.94
13	CHUA CHIONG BOON	12,500,000	0.73
14	CHUA EE WEE (CAI YIWEI)	12,500,000	0.73
15	LIM ENG CHONG (LIN RONGCANG)	12,001,000	0.71
16	ZHU SHIYAN	10,500,000	0.62
17	RAFFLES NOMINEES (PTE.) LIMITED	9,963,000	0.59
18	ROMIEN CHANDRASEGARAN	9,000,000	0.53
19	ANG CHEW KHENG	6,846,000	0.40
20	WANG LINGLING	6,500,000	0.38
	<b>TOTAL</b>	<b>1,331,390,475</b>	<b>78.29</b>

# SHAREHOLDERS' INFORMATION

As at 20 March 2020

## SUBSTANTIAL SHAREHOLDERS

(As registered in the Register of Substantial Shareholders)

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Wang Xiaoling <sup>(1)</sup>	157,373,000	9.25	–	–
Chu Ming Kin <sup>(2)</sup>	156,968,700	9.23	–	–
Sze Wai Bun Raymond <sup>(3)</sup>	87,562,500	5.15	–	–
Huang Qingquan <sup>(4)</sup>	87,562,500	5.15	–	–
Chen, Jianming <sup>(5)</sup>	87,562,500	5.15	–	–

The percentage of shareholding above is computed based on the total issued shares of 1,701,000,410 excluding treasury shares of the Company.

### Notes:

- (1) Wang Xiaoling has direct interest of 157,373,000 shares held through KGI Securities (Singapore) Pte. Ltd.
- (2) Chu Ming Kin has direct interest of 16,878,500 shares held through UOB Kay Hian Pte. Ltd.
- (3) Sze Wai Bun Raymond has direct interest of 87,562,500 shares held through KGI Securities (Singapore) Pte. Ltd.
- (4) Huang Qingquan has direct interest of 87,562,500 shares held through KGI Securities (Singapore) Pte. Ltd.
- (5) Chen, Jianming has direct interest of 87,562,500 shares held through KGI Securities (Singapore) Pte. Ltd.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

The percentage of shareholdings of the Company (excluding preference shares, convertible equity securities and treasury shares) held in the hands of the public is approximately 66.08%. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.







**SINCAP GROUP**

**SINCAP GROUP LIMITED**

(Incorporated in the Republic of Singapore on 10 March 2010)

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