ANNAIK LIMITED

PROVIDING ENERGY RESPONSIBLY ADDING VALUE DILIGENTLY

ANNUAL REPORT 2022

Established since 1977 with
45 years solid track records

Manufacturing Operations are Certified and Awarded with
ISO 9001:2015
TUV, CRN and ClassNK

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

>5000 systems sold + **1** rural wastewater business under PPP model **8** industrial wastewater treatment plants under BOT/BOO model

DISTRIBUTION

Warehouse holds over 10,000 products such as stainless steel pipes, flanges, buttwelded fittings, low/high pressure fittings, valves, stub ends, and flat products

Awarded: ISO 9001:2015 standards for quality management operation as stainless steel producer and stockist

Over 650 customers across the region

MANUFACTURING

Shinsei steel flanges.

Awarded ISO 9001:2015, TUV, CRN, and ClassNK certification and approved for international product standard compliance

Serve a wide base of customers

ENVIRONMENT AND ENGINEERING SERVICES

Construct and operate industrial wastewater treatment plants in the PRC

Consulting service in water resource management, including governmental and commercial operators in Singapore

Construct and supply rural wastewater treatment equipment in the PRC

Vision

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

Contents

ABOUT ANNAIK

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

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

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

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

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

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to share the results of AnnAik Limited and its subsidiaries ("AnnAik/the Group") for the financial year ended 31 December 2022 ("FY 2022"). I am glad that we have delivered another set of remarkable scorecards despite continued challenges from COVID-19 (Coronavirus Disease 2019) in FY 2022. I am thankful that with prudent, strong operational resilience and with an agile team in the Group, we navigated through another year to achieve continued business growth and profitability.

Singapore has slowly returned to normalcy as borders reopened and social distancing requirements having been lifted since April 2022. We have adopted a new operating approach and moved towards an endemic living environment with COVID-19. Sailing through the third year of COVID-19, AnnAik has grown even stronger in all business divisions through our strategy of "A Sustaining Steel Business and Growing Environmental Business". The hike in steel prices and strong demand for steel products since early 2021 fully flowed into FY 2022; which lead to higher turnover and results achieved in distribution of steel products business and manufacturing of steel flanges division. The stable environmental division with predictable cash inflows and profit continued to be the cornerstone for strengthening the Group's results.

As major economies have opened up for trade activities and connection to the World, Singapore's Gross Domestic Product ("GDP") grew by 3.6% in FY 2022. The Ministry of Trade and Industry ("MTI") is maintaining Singapore's GDP growth forecast at 0.5% to 2.5% for FY 2023 especially with the expectation of positive impacts from recent opening the PRC in January 2023. Barring any unforeseen circumstances, such as constraints caused by emergence of a new COVID-19 variant, persistent inflation with an abnormally high interest rate environment and geopolitical tensions from the Russian-Ukrainian conflict, we are cautiously optimistic of expecting a sustainable operating environment for our business in FY 2023.

Striking a Respectable Performance

Tapping on the hike of steel prices, strong demand of steel products since early 2021 and predictable contribution of the environmental division, our Group has achieved a remarkable profit attributable to owners of the Company of S$5.53 million for the financial ended 31 December 2022.

Distribution of steel products business and manufacturing of steel flanges division registered a higher turnover and profit contribution to the Group. Our distribution of steel business in Singapore will continue to position well so as to serve customers in regions with competitive pricing, quality products and value-added delivery services through our extensive stocks holding and ranges position in Singapore and Malaysia. Our manufacturing of steel flanges division will aggressively promote its SHINSEI brand for flanges and its newly added product; fittings through brand awareness and marketing activities in Malaysia.

As a result of low profit margin contributions from the trading of steel business in FY 2022, we have temporarily ceased this business since September 2022 after thorough internal review and to only focus on the trading of non-steel products following our diversification of trading business strategy. Our core distribution of steel products under the distribution division remains. We will continuously develop our non-steel trading business under the distribution division to complement our core distribution of steel products and manufacturing of steel flanges businesses.

Our environmental business is maintaining its healthy contribution of profit and cash flows to the Group in FY 2022. We are actively participating in some of the tenders in Singapore and the PRC in order to top up our order book of Engineering, Procurement and Construction ("EPC") projects. Recent completion of the upgrading of the wastewater treatment plant in Changxing LiJiaXiang New Era Wastewater Treatment Co., Ltd has enhanced our assets value and capability to meet stringent requirements set by the Ministry of Environment in PRC. It is heartening to note that the environmental division has consistently proven to be growing especially with the current strong support from government in green environment investment.

Realising Growth Opportunities

One wastewater treatment project in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd is currently under construction and scheduled for completion in 3rd quarter of FY 2023. Again, our local team in PRC has demonstrated our ability in process design, adoption of treatment technology, management and investment capabilities for our environmental division. We will continue looking for similar opportunities in the PRC and the region for expansion.

A breakthrough of a new EPC project secured in the beginning of FY 2022 from a GLC-linked company has added our confidence, to undertake bigger and more complex projects in Singapore, by tapping on our extensive knowledge and expertise in the hazardous wastewater treatment business. We are currently participating in a few more tenders from GLC-linked companies with an aim to increase order book of our EPC business in hazardous wastewater treatment business.

Looking Ahead for New Growth

The Group has also embarked on the trading of new materials at end of FY 2022. The successful deliveries of these new materials can further diversify our trading of non-steel business, coupled with a better profit margin contribution. From the recent experience garnered in this trading of new material, we are planning to set up a processing plant in Singapore and the region in the near future so can make this business our next growth engine of the Group.

We remain confident and trust that with our Group's collective resilience and perseverance and under the stewardship of the Board of Directors, backed by the collective efforts of the management team, we continue to have faith in our commitment to build a new long term sustainable business and enhance value for our shareholders and other stakeholders.

Understanding the Challenges Ahead

Looking ahead, the global business landscape continues to present business and operational challenges for the Group such as uncertainties with COVID-19 mutations, ongoing geopolitical tensions, significant inflationary pressures, rising interest rates and a potential recession in FY 2023. We shall continue to exercise strict financial prudence in cost and working capital management, focus on operational efficiency and mitigate business risks.

Dividend

We are very heartened by the unwavering support from our shareholders during the year. To show our appreciation, the Board of Directors is pleased to propose a first and final one-tier tax-exempt dividend of 0.4 Singapore cents per share for the year ended 31 December 2022. The dividend will be paid out to shareholders upon approval at the annual general meeting.

In Appreciation

On behalf of the Board of Directors, I would like to thank the team for their dedication and commitment throughout the year which has allowed the Group to thrive. Their efforts and contributions have been instrumental in the Group's growth journey. I would also like to express our appreciation to our customers, vendors and business partners for their unwavering faith and confidence in us. We are grateful to have you on our journey and we look forward to this continued support as we endeavour to achieve new milestones and greater times together.

We remain committed to realising our strategic objectives and achieving our profitability goals. Apart from keeping a strong focus on our existing businesses, we will also adapt our strategy in tandem with shifts in the economic landscape so as to stay competitive and ready to take advantage of new growth opportunities.

James Ow Chin Seng, PBM
Executive Chairman cum CEO

BOARD OF DIRECTORS

Mr Ow Chin Seng, PBM

Executive Chairman cum CEO
Date of appointment: 31 March 1990
Date of last re-election: 29 April 2022

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

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

Mr Ow Eei Phurn Benedict

Executive Director cum Sales Director
Date of appointment: 7 May 2021
Date of last re-election: 29 April 2022

Mr Benedict Ow worked in the Company's as Finance Manager from 2004 to 2010 and left to pursue his own interest. In 2012, Mr Benedict Ow rejoined the Company and took on the role of Project Sales Manager and was promoted to Sales Director in March 2020. Mr Benedict Ow was subsequently appointed as an Executive Director in May 2021. His current roles are to assist the overall distribution business of the Group and managing the Group's supply chain operations. Mr Benedict Ow holds a Bachelor of Commerce from the University of Melbourne, Australia, and is a full member of CPA (Australia).

Mr Ng Kim Keang

Executive Director cum Chief Operating Officer
Date of appointment: 3 January 2005
Date of last re-election: 29 April 2020

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

Mr John Lim Geok Peng

Lead Independent Director
Date of appointment: 11 July 2017
Date of last re-election: 29 April 2022

Mr John Lim Geok Peng is the CEO of CPA Partnership Pte Ltd and CPA John Lim & Co. He graduated with a Bachelor of Accountancy from National University of Singapore and is a practicing member of the Institute of Singapore Chartered Accountant as well as CPA (Australia).

Mr Lim is appointed as a lay person on the Inquiry Panel of the Legal Profession Act. Previously, Mr Lim was the Audit and Assurance Partner as well as HR and Training Partner at PKF-CAP LLP. He was also previously the Deputy Director and Head of the Practice Monitoring Division of ISCA, Co-Managing Director of a public accounting firm and CFO of a large non-profit organization.

Ms Tan Poh Hong

Independent Director
Date of appointment: 26 July 2018
Date of last re-election: 30 April 2021

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

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

Mr Gan Thiam Poh

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

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

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

Mr Gan is the Vice Chair of Singapore India and South Asia Parliamentary friendship groups as well as member of Singapore Europe Parliamentary friendship group. He has been the Member of Parliament since 2011 and is currently the Member of both Government Parliamentary Committee, Ministry of Sustainability and Environment as well as Ministry of Transport. He was also the member of Singapore Parliament Select committee (Public Accounts). He was the Audit Committee Chairman and Independent Director of Mainboard Listed Ouhua Energy Holdings Limited. Mr Gan holds a Bachelor of Science (Economics and Mathematics) degree from the National University of Singapore.

GROUP STRUCTURE

As at 31 December 2022

MANUFACTURING BUSINESS

- 100% Shinsei Holdings Pte Ltd
  - 100% Shinsei Industry Sdn Bhd

DISTRIBUTION BUSINESS

- 100% Ann Aik Pte Ltd
- 50% Ichinose Emico Valves (S) Pte Ltd
- 75% Metal Wang Pte Ltd
  - 60% Handel Co., Ltd

ENVIRONMENTAL & ENGINEERING BUSINESS

- 100% **Anxon Environmental Pte Ltd**
  - 66% **AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd** 上海昂为环境生态工程有限公司
    - 100% ChangXing LiJiaXiang New Era Wastewater Treatment Co., Ltd 长兴李家巷新世纪污水处理有限公司
      - 100% ChangXing HengYi Wastewater Treatment Co., Ltd 长兴恒益水质净化有限公司
      - 100% ChangXing Annyi Wastewater Treatment Co., Ltd 长兴安益水质净化有限公司
  - 66% ChangXing AngWei Environmental & Ecological Engineering Co., Ltd 长兴昂为环境生态工程有限公司
  - 62% Shuanglin (Huzhou) Wastewater Treatment Co., Ltd 湖州双林水质净化有限公司
- 100% **Anxon Eco Holdings Pte Ltd**
  - 88% ChangXing LinSheng Wastewater Treatment Co., Ltd 长兴林盛水质净化有限公司
    - 100% ChangXing WuSheng Wastewater Treatment Co., Ltd 长兴吴盛水质净化有限公司
    - 80% ChangXing LinYi Wastewater Treatment Co., Ltd 长兴林益中水回用有限责任公司
- 51% Pioneer Environmental Technology Pte Ltd
  - 80% Suzhou Pioneer Environmental Technology Pte Ltd 苏州派宁环保科技有限公司
    - 30% Wuhan Pioneer Environmental Technology Co., Ltd 武汉派宁环保技术有限公司
- 100% **AnnAik & Partners (S) Pte Ltd**
  - 100% **AnnAik Pipes & Fittings (Shanghai) Co., Ltd**
    - 55% ZheJiang ShengTai Environmental Technology Co., Ltd 浙江盛泰环保科技有限公司
- 100% **Anxon Engineering Pte Ltd**
- 100% **Anxon Envirotech Pte Ltd**
  - 25% Shanghai Onway Environmental Development Co., Ltd 上海昂未环保发展有限公司
    - 100% ZheJiang Xinyu Environmental Technology Pte Ltd 浙江新禹环境科技有限公司
- 100% **Anxon Oasis Pte Ltd**

Rural Wastewater Treatment Business

Industrial & Municipal Wastewater Treatment Business

Hazardous Wastewater Treatment Business

OPERATIONS REVIEW

Another notable year of results in FY 2022 with turnover of S$87.81 million and profit of S$7.35 million achieved by the Group as compared to profit of S$5.05 million recorded in prior year. The continuous improvement in our operating results was mainly due to higher turnover and gross profit made in distribution of steel products business and manufacturing of steel flanges division fuelled by a hike in steel prices and strong demand. In addition, the environmental division continued to be profitable and acted as cornerstone of our group results in current year. Consequently, the Group's profit attributable to owners of the company for the year ended 31 December 2022 increased to S$5.53 million from S$3.09 million as recorded in 31 December 2021 after taking into account the allocation of profit to minority shareholders of non-fully owned subsidiaries especially from the environmental business.

Distribution of Steel Products Business and Trading of Steel & Non-Steel Products Business under Distribution Division

The distribution division registered a $12.68 million lower turnover as compared to prior year. The reduction in turnover was mainly attributable to significantly lower demand on trading of non-steel products business amounting to S$20.91 million from the distribution division. However, the decrease was partially offset by higher sales derived from distribution of steel products business in Singapore of S$8.23 million which was backed by a hike in steel prices and higher demand of our steel products.

From the disaggregation of revenue by geographical markets under sales of goods, sales to the PRC decreased by S$21.24 million due to decrease in trading of non-steel products business as compared to prior year. Sales of goods for the market in India increased by S$6.20 million due to the improvement of the steel products trading business. The rise in sales of goods to Singapore, Malaysia, Indonesia, Australia and Hong Kong totalling S$7.22 million was mainly attributable to the increase in distribution of steel products business. However, the increase was partially offset by a drop in sales of S$3.70 million in the United Kingdom, Vietnam and Korea market after the cessation of business operations of a steel products trading business under distribution division in FY2022.

Gross profit improved in tandem with higher turnover recorded from distribution of steel products business under distribution division in FY2022. A much higher gross profit margin was recorded due to change in product mix with higher distribution of steel products business offset with lesser trading of non-steel products business during the year.

Manufacturing of Steel Flanges Division

Tapping on the rise of steel prices and strong demand from customers in FY 2022, manufacturing of steel flanges division has also shown an increase in turnover and gross profit by S$0.74 million and S$0.61 million respectively as compared to prior year. With the ongoing strategy to adopt an asset-light business model and stringent cost management, our manufacturing of steel flanges business continued to maintain low operating costs notwithstanding with higher turnover recorded in current year.

Environmental Business Division

For the environmental business, it is again acted as our cornerstone of group results in FY 2022. The industrial cum municipal wastewater treatment business under Build-Own-Transfer ("BOT) and Build-Own-Operate ("BOO") model in PRC has a steady growth in turnover and also profit contribution during the year. The rural wastewater treatment business under Engineering Procurement and Construction ("EPC") model has garnered some tractions in current year by reversing a loss in prior year to a profit due to successful delivery of EPC projects in PRC. Our hazardous wastewater treatment business under EPC model has lesser projects completed and delivered despite orders being secured lead to lower turnover and profit achieved during the year. Nevertheless, we have started some other green and sustainable trading of non-steel products under hazardous wastewater treatment business in late 2022. We aim to build our capability in this business by completing a more comprehensive value chain and our presence in different countries in near future.

Financial Position Review

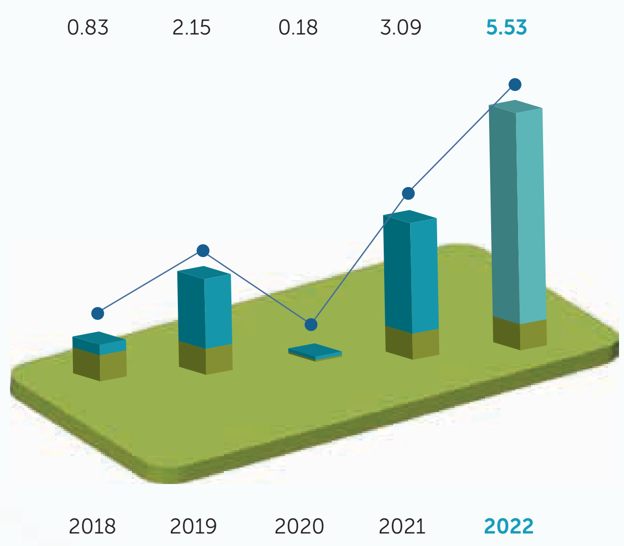
The Group maintained a healthy and positive working capital of S$33.50 million or current ratio of 2.22 times with current assets of S$60.89 million and current liabilities of S$27.39 million as at 31 December 2022. The cash and cash equivalents as at 31 December 2022 increased slightly by S$0.62 million to S$15.00 million. Operating activities have generated significant positive cash flows amounting to S$5.40 million in current year. Positive cash flows from investing activities of S$6.11 million generated mainly due to proceeds received from the proceeds from disposal of assets classified as held for sale amounting to S$10.28 million. However, the increase was partially offset by additions to intangible assets of S$3.83 million. Financing activities have recorded a negative cash flow of S$10.18 million due to dividend payment of S$2.01 million, net loan repayment of $7.45 million, obligation under lease liabilities of S$0.24 million made followed with reduction in amount due to associates of S$0.10 million and return of capital to non-controlling interests S$0.27 million. However, the decrease was slightly offset by cash inflows of S$0.09 million from the proceeds from issuance of shares under ESOS Scheme 2013. Group's net asset per share as at 31 December 2022 was 22.36 cents and weighted average profit per share was 1.92 cents.

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

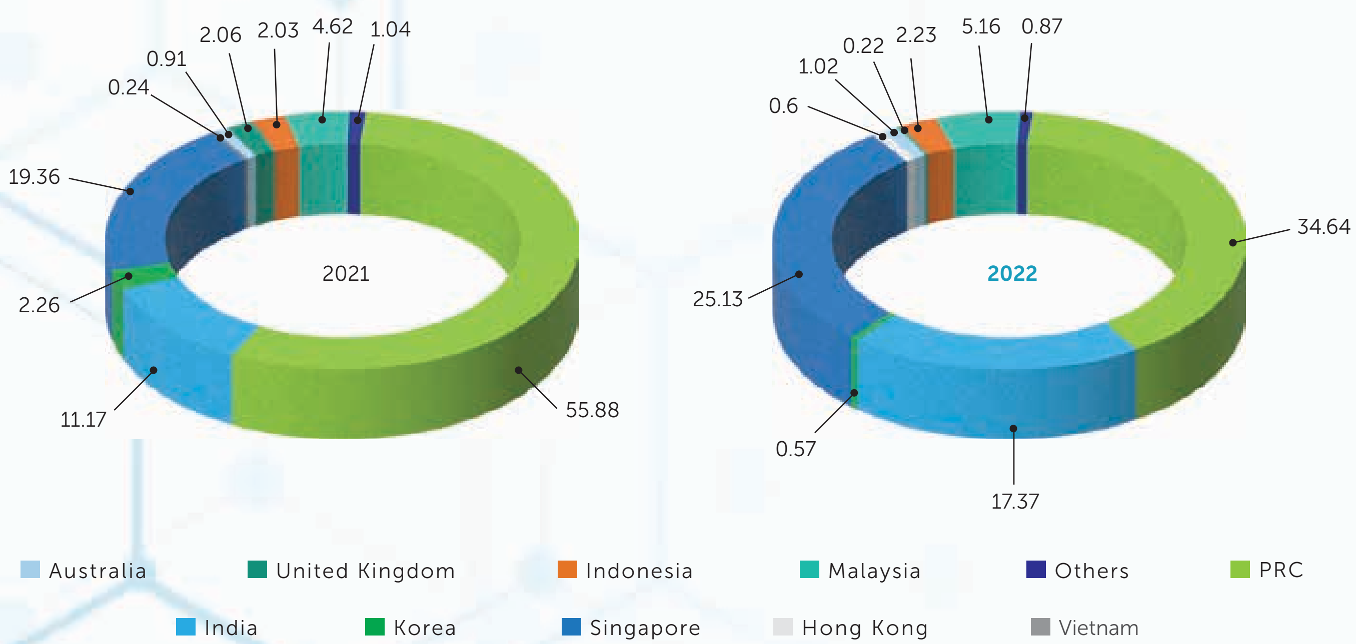
FINANCIAL HIGHLIGHTS

Turnover
(S$ Million)

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



Turnover by Geographical Area
(S$ Million)



A REMARKABLE YEAR...

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

$5.53 M
FY2022

↑ 78.96%

BASIC EARNINGS PER SHARE

1.92 CENTS
FY2022

↑ 79.44%

NET ASSETS PER SHARE

22.36 CENTS
FY2022

↓ (0.13%)

DIVIDEND

0.40 CENTS PER ORDINARY SHARE
FY2022

↓ (42.86%)

SUSTAINABILITY REPORT

About this report

Reporting scope and boundaries

The indicators and performance data in this report covers AnnAik Limited and its subsidiaries as a Group which corresponds to our Corporate Structure in the Annual Report. The Group ("AnnAik"), refers to the Company, AnnAik Limited and the entities which AnnAik has direct managerial control.

This year, this report scope focuses on AnnAik sustainability performance across business divisions in Singapore. We intend to expand the scope of our report to include other divisions and countries where AnnAik is present in the future.

Reporting Standard

We have developed this report with reference to the Global Reporting Initiative ("GRI") Standards due to its international recognition and acceptability by stakeholders. For this report, we have transitioned to latest version of the GRI Standards – the GRI Universal Standards 2021. The report also complies with the SGX-ST Listing Rules (711A and 711B). In addition, we have integrated the United Nations Sustainable Development Goals ("SDGs") into our materiality process to reflect Annaik's contribution and commitment to achieving the SDGs. As such, the GRI standards continue to be deemed most suitable for AnnAik's sustainability reporting.

We have not sought external assurance for this report. External assurance will be considered as reporting matures.

Reporting period

This report covers our sustainability performance and efforts from 1 January 2022 to 31 December 2022 ("FY2022"). We have included comparative historical data in this report that are presently available. We will report on our sustainability performance and efforts on an annual basis. This will serve as a platform to communicate our economic, social, environmental and governance progress and commitments to the various stakeholders.

Assurance

Our financial statements have undergone audits by our independent auditor. Our ESG performance data is reported in good faith and to the best of our knowledge. We have an internal mechanism for verifying our ESG data for accuracy and reliability.

Accessibility

The Group will not print any copies of this sustainability report as part of our environmental conservation efforts. A current electronic edition of the report is available at: www.annaik.com and on the SGX website.

Feedback

Our stakeholder's feedback is important to us. Please address all feedback to our Investor Relations team at kkng@annaik.com and cheeseng@annaik.com.

Publication Information

AnnAik's Sustainability Report is published annually on the SGXNet and Company's website.

Contents

Board Statement

AnnAik believes sustainability is important for business as it believes that most successful companies in the world today do not just embrace sustainability as a supporting function but ensure that it is integrated into every function of their operations. We pursue our business goals and drive our sustainability initiatives forward so as to balance economic prosperity with Corporate Social Responsibility together.

Sustainability Report 2022 ("Sustainability Report") is prepared with reference to the Global Reporting Initiative ("GRI") Standards. This Sustainability Report focuses on environmental, social and governance factors that have been carefully selected to be material factors, given the Group's key stakeholders.

The Board of Directors of AnnAik Limited (the "Board") has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

About AnnAik

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SUSTAINABILITY REPORT

Organization Profile

Name AnnAik Limited ("AnnAik")

HQ Location 52 Tuas Avenue 9, Singapore 639193

Geography AnnAik has operations in 3 countries. It has offices, operating facilities and manufacturing facilities in Singapore, China and Malaysia.

Legal Form AnnAik has been publicly listed on the Catalist Board of Singapore Exchange. Currently the largest shareholder of AnnAik is Mr Ow Chin Seng, who holds approximately 33.33% of shareholding[1].

Organization Scale

Number of employees

52[2]

No. of key operating subsidiaries

19

Revenue

	Manufacturing $'000	Distribution $'000	Environmental $'000	Sub-total $'000
Total Revenue	3,021	63,763	21,026	87,810

Workforce

	Male	Female	Total
Singapore	29	23	52

External Initiatives

- ISO 9001:2015 Quality Management
- Practice Workplace Safety
- Attained BizSafe Level 3
- NS MARK GOLD
- Employers' Pledge of Fair Employment Practices

Membership of Associations

- Associate member of Singapore Metal and Machinery Association (SMMA)
- Member of Singapore Business Federation
- Member of Singapore China Business Association
- Member of Taipei Business Association
- Member of Singapore China Friendship Association
- Member of Singapore Chinese Chamber of Commerce & Industry
- Member of Singapore Water Association
- Member of Business China Singapore

Note 1: For indirect interest if any, kindly refer to AnnAik Limited Annual Report 2022
Note 2: Only Singapore division employees have been included in this report

Our Vision

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

Code of Conduct & Ethics

The Group's Code of Conduct ("Code"), comprising internal corporate governance practices, policy statements and standards, serves as a guide to all its employees and officers for both legal compliance and appropriate ethical conduct.

Accessible to Board members and employees of the Group as well as its agents, representatives and consultants, the principles and standards in the Code are intended to enhance investor confidence and rapport, and to ensure that decision-making is ethically and properly carried out in the best interests of the Group. The Code is reviewed from time to time and updated to reflect changes to the existing systems or the environment in which the Group operates.

The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with fellow employees; customers; competitors; suppliers; government agencies and officials; and the community in general. Among others, key areas covered by the Code include workplace health and safety; workplace and business conduct; safeguarding of assets of the Group and other parties; handling of confidential information and trading policy; conflict of interest; personal data obligations; and compliance with laws including a whistle blowing policy. The Group has developed compliance education as part of the regular education programmes it administers. Under these programmes, employees are briefed on this Code and other compliance-related issues, either on its own or with the support of Accounting and Finance, and Human Resources department.

SUSTAINABILITY REPORT

Supply Chain Management

Our major suppliers are the manufacturers of our Stainless Steel Distribution Business. Our suppliers are selected based on, amongst others, experience, expertise, product quality and past performances. We have a Procurement Policy and ISO standard in place which provides procurement guidelines such as selection and evaluation of suppliers as well as ensuring adequate diversification of suppliers which results in cost-effectiveness and prevention of operational disruptions.

We generally do not enter into long term exclusive agreements with any of our suppliers as we value the flexibility to evaluate and select our suppliers in accordance with our aforementioned criteria.

Our Directors believe that our business and profitability are not materially dependent on any industrial, commercial or financial contract with any supplier and will not be materially affected by the loss of any single supplier.

Governance Structure

Sustainability Governance is led by the Board of Directors and supported by all levels of the Group. Sustainability is a journey. The Board, with the assistance of Audit Committee, will ensure that we have the right policies and practices in place, with appropriate targets and measurements developed, and sufficient resources dedicated to sustainability-related initiatives. We will progressively strengthen the sustainability governance structure so that there is clear accountability and oversight.

Board of Directors: Oversees the sustainability direction, strategies, policies

Senior Management: Advises and supports the Board on sustainability matters, strategies, policies

Overall management and monitoring of sustainability performance and targets

All Staff: Implement sustainability initiatives and provide feedback on improvements

Stakeholder Engagement

We identify our diverse stakeholder groups based on their level of influence to our business. We also regularly engage and consult them. Where appropriate and relevant to our business, we incorporate their feedback into the Group's plans and actions.

We use both formal as well as informal engagement methods to interact with a range of stakeholders. Our significant stakeholders and how we engage with them are summarised below:

Stakeholder Group	Engagement Method	Key Topics and Concerns	Our Response
Customers	• Enquiry and feedback channels • Direct customer meeting	• Quality of products and services • Cost-competitiveness • Operational efficiency	• Manage our key accounts • Conduct regular internal management reviews to ensure customers' needs are fulfilled • Provide timely feedback
Suppliers	• Quotations • Periodic discussion • Factory visits	• Fair and transparent business conduct • Continuous engagement • Quality of products supply • On time payments	• Set quarterly reviews on key suppliers • Manage the expectations of suppliers and customers
Employees	• Performance appraisals • Seminars and training sessions • Internal memos	• Training & career development • Health and safety • Staff welfare	• Provide more training • Ensure effective human resource policies and staff welfare
Investors	• Annual Report • Annual General Meeting • SGX Announcements and press releases on SGX and our corporate website simultaneously	• Financial results • Key developments • Investor relations	• Provide half yearly and full year results announcements and dedicated investor relations website • Practice good corporate governance • Ensure sustainable business growth
Government and Regulators	• Calls and meetings when required • Relevant government association memberships • Frequent communication with relevant parties	• Compliance with regulatory requirements	• Ensure compliance with applicable laws and relevant government association memberships • Participate in networking sessions and talks held by the government to understand industry regulations and share our perspectives
Local communities	• Community engagement activities • Responsible business practices	• Clean and safe environment • Community projects • Participation in corporate social responsibility activities	• Collaborations with different community groups • Support community programmes

SUSTAINABILITY REPORT

Materiality Assessment

The Board is satisfied with management approach towards identification and prioritisation of material topics and has provided resources to manage the governance of sustainability.

We conducted a high-level benchmarking exercise on a universe of topics to shortlist the key topics where our company created significant economic, environmental, social and governance impacts. We took into consideration the material topics and future challenges of our industry as identified by our peers and competitors. This include relevant laws, regulations and international agreements of strategic significance to our Group.

Our material issues are identified based on the significance of economic, environmental, social and governance impacts and the degree of influence they have on stakeholder assessments and decisions. We develop our material topics through stakeholder feedback, new trends in sustainability, challenges facing the industries and our own business goals. We therefore focus our sustainability efforts and reporting on these issues. Based on our internal review in FY2022, we have refined and included additional relevant identified factors.

The Group will implement and formulate quantitative targets on each of the identified factors in phases.

Material Topic	Material factor
Economic	Economic Performance
Social	Diversity and Equal Opportunities
	Employment
	Training and Education
	Protecting Human Rights
	Occupational Health and Safety
	Local Communities
Environmental	Energy Consumption
	Reduce, Reuse and Recycle
Governance	Whistle Blowing Policy
	Anti-Corruption
	Operational Risk
	Financial Risk

Contributing to Sustainable Development

We continue to integrate the SDGs into our materiality process to guide our contribution to sustainable development. In the table below, we provide an overview of how our material topics align with the relevant SDGs, zooming in on a target level to provide a sharper focus on the areas we can impact.

ESG Factors	GRI Standards	SDGs
Economic	GRI 201: Economic Performance 2016	8 DECENT WORK AND ECONOMIC GROWTH
Social	GRI 401: Employment 2016 GRI 405: Diversity and Equal Opportunity 2016	8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY
Social	GRI 404: Training and Education 2016	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH
Social	GRI 403: Occupational Health and Safety 2018	8 DECENT WORK AND ECONOMIC GROWTH
Governance	GRI 2-27: Compliance with laws and regulation GRI 205: Anti Corruption 2016	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABILITY REPORT

Contributing to Sustainable Development

ESG Factors	GRI Standards	SDGs
Environmental	GRI 302: Energy 2016	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY INNOVATION AND INFRASTRUCTURE
Environmental	GRI 305: Emissions 2016	13 CLIMATE ACTION
Social	GRI 406: Non-discrimination 2016 GRI 408: Child labour 2016 GRI 409: Forced or Compulsory Labour 2016	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Economic

Economic Performance

AnnAik firmly believes that focus on financial sustainability is critical and we are fully committed to the highest standards of corporate governance. The Group's basic principle is that long-term profitability and shareholders' value is ensured by taking into account the interests of all stakeholders, such as shareholders, employees, suppliers and society as a whole.

	FY2021 Amount $'000	FY2022 Amount $'000	Variance Amount $'000
Direct economic value generated	99,571	87,810	(11,761)
Economic value distributed*	(94,519)	(80,463)	(14,056)
Economic value retained	5,052	7,347	2,295

*Note: Economic value distributed refers to the total sum of our company's operating costs, employee wages and benefits, payments to providers of capital, and community investment.

For a detailed breakdown of the FY2022 financial results and variance reasons, please refer to the relevant sections in AnnAik Limited Annual Report FY2022 and the Announcement made on 27 February 2023.

SUSTAINABILITY REPORT

Social

Our People

AnnAik understands that people are key assets to the Group. To create an engaging and holistic environment where our people are able to deliver their best work, AnnAik is committed to offer equal opportunities, staff benefits and career development for all persons and genders. The Group does this to attract and retain good people in our company.

Diversity and Equal Opportunities

AnnAik is committed to ensure equality of opportunities, which means treating people fairly and without bias. Discrimination due to gender, age, racial, religious, social class or nationality is not tolerated in our workplace. We recruit individuals with the necessary competencies, experience and qualifications without any discrimination.

As at 31 December 2022, AnnAik has 52 employees[1].

Item	Composition	Male		Female		Total	
		No	%	No	%	No	%
Age	Under 30	2	6.9	6	26.2	8	15.4
	31 ~ 40	2	6.9	7	30.4	9	17.3
	41 ~ 50	9	31.0	5	21.7	14	26.9
	Above 50	16	55.2	5	21.7	21	40.4
	Sub total	29	100	23	100	52	100
Education Background	Primary School	3	10.4	1	4.3	4	7.6
	Secondary School	11	37.9	11	47.8	22	42.3
	College	5	17.3	4	17.4	9	17.3
	Degree	7	24.2	7	30.5	14	26.9
	Master	1	3.4	0	0	1	1.9
	PhD	2	6.8	0	0	2	4.0
	Sub total	29	100	23	100	52	100
Employment Contract	Permanent	29	100	23	100	52	100

Gender Diversity (%)	Male	Female
FY2022	56	44
FY2021	57	43

Note 1: Only Singapore division employees have been included in this report

Employment

Benefits for Full Time Employees

AnnAik provides benefits to full-time employees in the form of medical, accidental, life, hospitalisation, travelling insurance, dental, and training course. In prior years, AnnAik introduced the Employee Share Option Scheme to motivate employees to have long-term careers with us. This reward scheme contributes a win-win situation for both our organisation and our employees.

In addition to the government regulated annual leave, the Group also provides childcare leave for employees with children. During the reporting period, 4 male employees and 4 female employees have taken childcare leave. The aforementioned employees are currently employed under the Group.

Social

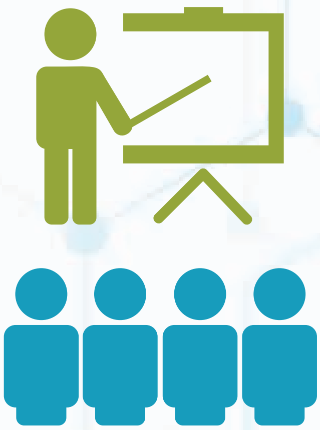
Training and Education

In current modern business environment, AnnAik recognises the need to continuously upgrade our employees' skillsets to compete in this competitive business environment.

Every year, AnnAik organises several training courses which include the new employee induction programme, professional skills refresher and advancement programme and supporting qualification training and technical management education. These programmes are implemented through lectures, knowledge exchange, external training and so on.

External training or programmes included the following,

01 AN OVERVIEW OF SELECTED FRSs
02 ASSESS CONFINED SPACE FOR SAFE ENTRY AND WORK
03 FORENSIC ACCOUNTING & FRAUD DETECTION
04 GST – UNDERSTANDING INPUT TAX RECOVERY RULES
05 LED – ENVIRONMENTAL, SOCIAL & GOVERNANCE ESSENTIALS
06 OCCUPATIONAL FIRST AID COURSE
07 OCCUPATIONAL FIRST AID REFRESHER COURSE
08 SUPERVISE CONSTRUCTION WORK FOR WSH
09 WORKPLACE SAFETY AND HEALTH IN CONSTRUCTION SITES
10 LED 7 – NOMINATING COMMITTEE ESSENTIALS
11 LED 8 – REMUNERATION COMMITTEE ESSENTIALS



Training Hours

Category	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
Number of training days by each headcount (days)	0.7	2	1.5	2

Due to work commitments, the target was not met. Nevertheless, we have shown an improvement from 0.7 days in FY2021 to 1.5 days in FY2022.

Protecting Human Rights

We uphold nationally and internationally accepted human rights principles and values. All employees are required to abide by our Code of Conduct that bars discrimination, child labour and forced labour. Our HR policy prohibits any discrimination based on nationality, age, race, religion, language, gender or marital status. In our assessment, the risk of child labour and forced labour is extremely low in our own operations. We do not assess these risks in our supply chain as we do not have much control or influence in those areas. We are, however, committed to staying vigilant when dealing with suppliers, and we operate a performance rating system whereby our suppliers are periodically assessed. AnnAik sets out requirements for all employers in Singapore to consider the workforce fairly for job opportunities and states that employers should not discriminate on characteristics that are not related to the job, such as age, gender, nationality or race.

There were no instances of discrimination, child labour or forced labour in FY2022.

Upholding Freedom of Association

We respect our employees' rights to freedom of association and collective bargaining in accordance with local laws.

Currently, our employees are not part of any labour union.

SUSTAINABILITY REPORT

Social

Occupational Health and Safety

We prioritise the importance of a safe and healthy work environmental to control potential hazards in the workplace.

Due to the business nature, it is of utmost importance to ensure a safe and healthy environment for all our employees as well as external parties who come to our facilities. We safeguard our employee's health and safety by following key Workplace Safety and Health Policy established that comply with authority legislative requirements and integrate to adopt benchmark practices based on MOM/WHSHC industry guidelines where practicable.

Our safety and health policies, practices and performance are regularly reviewed by the management.

In FY2021 and FY2022, no injury case was reported at the premises, and there was no fatal incident. Management takes an extremely serious view of workplace safety, and all accidents are thoroughly investigated; where appropriate. Our goal is to maintain a zero-fatality incident rate.

Category	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
Number of injuries	–	–	–	–
Lost day rate[1]	–	–	–	–
Work related fatalities	–	–	–	–

[1] Lost day rate refers to the number of man-days lost for every million hours worked.

Local Communities

As a responsible corporate citizen, we find it important to support local community causes. We have contributed approximately $48,500 to various beneficiaries and charity drives in FY2022.

Environmental

Environmental Protection

AnnAik conducts business in a manner that respects the environment by minimising the Group's carbon footprint, reducing its consumption of resources and expanding its recycling initiatives. The Management has adopted one of the best practices by supporting vendors that are eco friendly and not purely based on initiative that generate savings to the Group.

We have implemented a precautionary approach to manage our environmental impact proactively. Our environmental focus is on reducing our carbon emissions and improving resource efficiency and recycling. We make efforts to reduce our energy and paper usage within our significant Singapore operations. In line with our sustainability commitment, we have established environmental targets and carefully monitor our performance against these targets. Management reviews monthly performance reports, and corrective actions are implemented where required. Our employees make important contributions to our goals of reducing the use of energy and paper. An annual refresher training enables our employees to understand our environmental commitment and learn their role in achieving our targets.

Energy Consumption

The Group has implemented various good practices to reduce energy consumption in the Singapore office and warehouse as below. Old electronic equipment are replaced with equipment that are energy saving and environmental friendly. All staff are reminded to switch off lighting, air conditioner and other electrical appliances when not in use to reduce energy consumption. A dedicated team of energy champions conducts checks to ensure machines and office printers are switched off to reduce energy wastage. In the future, we are looking to implement additional initiatives to minimise our energy consumption. For example, we are in the process of assessing installing solar PV systems on the roof of the office building and the warehouse building at 52 Tuas Ave 9. The installed capacity will produce an estimated 900,000kWh a year and can cater to 100% of the Group's electricity usage, while the remaining can be sold back to grid as a substantial green source.

AnnAik's energy consumption for FY2021 and FY2022 are as follows:

Electricity Consumption (kWh)	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
To maintain our monthly electricity consumption	141,315	141,000	140,754	140,000

Company has met the target set for FY2022.

Scope 2 GHG Emissions (kgCO2) – indirect	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
GHG Emissions (kgCO2)	57,332	57,204	57,104	57,104

As a result of our increased focus on energy-saving measures, our absolute carbon emissions have met the target .

SUSTAINABILITY REPORT

Environmental

Reduce, Reuse and Recycle

In order to achieve the goal of environmental continuous improvement, AnnAik's commitments are as follows:

1. Reduce paper usage by reusing and recycling paper which were printed on one-side for internal purposes, using two-sided printing option to print paper, implementing paperless working environment e.g. e-invoices and e-statements to customer.

Category	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
Usage of A4 paper (pieces)	250,000	237,500	150,000	150,000

Company has met the target set for FY2022.

2.

Category	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
Printing of calendar (copies)	620	600	600	550

Company has met the target set for FY2022.

Other environmental conservation efforts

Company has migrated most of our servers to cloud computing to reduce emissions and also with effect from FY2022, the company will no longer print its annual report and circular as part of our environmental conservation efforts, as Company recognises that urgent, global action is required to curb the rise in temperatures and mitigate the risks of climate changes. The electronic edition of the annual report is available at www.annaik.com and on the SGX website.

AnnAik is required to commence mandatory climate reporting with effect from FY2024, in accordance with TCFD disclosures. The Company has noted this requirement and is currently working towards compliance on these disclosures.

Governance

Risk Management

The Group ensures that a rigorous procedure is in place to adequately and effectively manage risks faced by its business divisions during the course of daily operations and long-term business planning. This is done by holding Senior Management meetings on a regular basis.

On a quarterly basis, the Senior Management will provide updates to the Board in areas of concern, if any, that may arise in relation to the Group's key risks factors.

In addition, the Group has also requested its internal auditors, to take such risk factors into consideration when drawing up the annual internal audit plan, so as to review and monitor the identified risk areas. In the event that the Group intends to enter into any new markets, business venture or business sector, the Group may also appoint external professional parties to review or advise on additional areas of risk factors to consider in connection with such forays.

In order to ensure that it stays current and in compliance with applicable and relevant law and standards and/or requirements issued by regulators, the Group tracks regulatory developments on a regular basis.

The Group's Company Secretary, Corporate Lawyer, Sponsor and Auditors advise the Board on changes in legal and regulatory issues while its external auditors provide changes in accounting standards to management for their consideration. The Group has engaged its external auditors to conduct at least one briefing per annum for the Board on changes in accounting standards.

To better manage compliance risk oversight, the Audit Committee has requested its internal auditors to assist the Management in evaluating and assessing the effectiveness of internal controls implemented by the Company to identify risks of non-compliance in various areas. As part of its human resource practices, the Group ensures employee benefits are in place and healthcare insurance is available for eligible employees.

Overall compensation and benefits structure also follows closely to the basic requirements of the Ministry of Manpower ("MOM"), and the Group keeps itself abreast through regular updates from MOM.

Whistle Blowing Policy

The Company has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs of the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any employee, officer or Management of the Group. Staff of the Group has access to the Audit Committee Chairman and may, in confidence and on an anonymous basis, raise concerns about possible improprieties in any such corporate matters by sending an email to john.lim@cpa-partnership.com.sg or a letter in writing to the Audit Committee Chairman.

Anti-Corruption

We adopt a zero-tolerance policy towards fraud, corruption and bribery. Any breach of the policy is deemed a material risk to our business operations. Our risk management approach to anti-corruption helps us maintain our integrity, governance, and responsible business practices. This management approach was developed in compliance with the Singapore Prevention of Corruption Act, and is outlined in our Employee Code of Conduct, which all employees are required to abide by.

The anti-corruption policy prohibits the following activities:

- Use of Company funds or assets for any unlawful purpose or to influence others through bribes;
- Make facilitation or 'grease payments' which are intended to service or speed up routine legal government actions such as issuing permits or releasing goods held in customs; and
- Receive/give suppliers rewards, gifts or favours bestowed or promised with the view of perverting the judgment or corrupting the conduct of a person in a position of trust.

SUSTAINABILITY REPORT

Governance

Report on the number of incidents of corruption and actions taken:

Category	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
No of cases	–	–	–	–

Zero cases reported on the number of incidents of corruption and action taken for FY2021 and FY2022.

Operational Risk

Operational risks are managed on an ongoing basis. As the Group's business is generally space-intensive by nature, the Group's supply chain management is handled by the adequate sourcing of accredited suppliers as well as regular and effective management planning of its inventory stock and costs.

As part of its human resource efforts to add quality people to its workforce and retain its valued employees, the Group has implemented training and developed rigorous health and safety management programmes. The Group also provides highly incentivised working benefits which include insurance, medical and dental coverage.

The Group also has a robust Sales, Marketing and Communication strategy in place to ensure its message to stakeholders are aligned and it delivers on its sales targets. To achieve this, it has a sales strategy based on regular management review and communication with customers.

The Group monitors customer satisfaction upon conclusion of projects. The Group actively seeks to reduce its operational impact on the environment, and has stringent corporate responsibility and sustainability practices to manage its industrial waste by recycling and reusing where possible and engaging licensed waste collectors. To safeguard its legal interests, the Group hires professionals such as lawyers to provide professional advice in relation to operational risks.

For continuous operations, the Group's IT infrastructure is handled by IT professionals to ensure system reliability compliant with stringent security measures to prevent information leaks or losses. In addition, the Group's inventories are protected by adequate insurance covering all industrial risks in addition to its utilisation of on-site security devices.

Financial Risk

To mitigate its liquidity risks, the Group employs a tight capital management system to ensure it has sufficient working capital to meet debt obligations and pays close attention to critical financial ratios such as inventory turnover, accounts receivable/payable, gearing and current ratio for the early detection of red flags. Information on the Group's Key Performance Indicators and ratios are reported quarterly to the Board.

To remain resilient amidst changing and increasingly diverse customer demands and an uncertain global economy, the Group constantly keeps itself abreast of market conditions, and stays close to its customers through regular visits and tracking of their purchasing patterns. This is to ensure right stock inventories are kept and is relevant to its existing and potential customers.

The Group also has a stringent credit policy that covers credit evaluation, approval and monitoring, as a safeguard to minimise all credit risks. In anticipation of unforeseen financial losses, the Group is insured in relation to the following: workmen compensation; product liability; directors and executive officers' liability; industrial risks; marine insurance; vehicles insurance; trade credit insurance; as well as travel, health and personal accidents insurance for the Group.

Report on the number of incidents of regulatory, non compliance cases and significant reportable risk breaches cases

Category	FY2021 (Actual)	FY2022 (Target)	FY2022 (Actual)	FY2023 (Target)
No of cases	–	–	–	–

Zero cases reported on the number of incidents of regulatory, non compliance cases and significant reportable risk breaches cases.

GRI Index

GRI Standard Disclosure Number	Title Disclosure	Page/Reference
GRI 2: General Disclosures 2021		
GRI 2-1	Organisational details	12
GRI 2-2	Entities included in the organisation's sustainability reporting	10
GRI 2-3	Reporting period, frequency and contact point	10
GRI 2-4	Restatements of information	None in FY2022
GRI 2-5	External assurance	10
GRI 2-1	Activities, value chain and other business relationships	14
GRI 2-2	Employees	20
GRI 2-3	Workers who are not employees	20
GRI 2-9	Governance structure and composition	14
GRI 2-10	Nomination and selection of the highest governance body	36, 37
GRI 2-11	Chair of the highest governance body	2 ,33
GRI 2-12	Role of the highest governance body in overseeing the management	11, 30
GRI 2-13	Delegation of responsibility for managing impacts	14
GRI 2-14	Role of the highest governance body in sustainability reporting	11, 30
GRI 2-15	Conflicts of interest	30
GRI 2-16	Communication of critical concerns	25, 30, 31
GRI 2-17	Collective knowledge of the highest governance body	32
GRI 2-18	Evaluation of the performance of the highest governance body	38
GRI 2-19	Remuneration policies	40-43
GRI 2-20	Process to determine remuneration	40-43
GRI 2-21	Annual total compensation ratio	Information not disclosed due to commercial sensitivity
GRI 2-22	Statement on sustainable development strategy	3
GRI 2-23	Policy commitments	11, 15
GRI 2-24	Embedding policy commitments	15
GRI 2-25	Processes to remediate negative impacts	14
GRI 2-26	Mechanisms for seeking advice and raising concerns	25
GRI 2-27	Compliance with laws and regulations	25-26
GRI 2-28	Membership associations	12
GRI 2-29	Approach to stakeholder engagement	15
GRI 2-30	Collective bargaining agreements	21

SUSTAINABILITY REPORT

GRI Standard Disclosure Number	Title Disclosure	Page/Reference
GRI 3: Material Topic 2021		
GRI 3-1	Process to determine material topics	16
GRI 3-2	List of material topics	16
GRI 3-3	Management of material topics	16
GRI 201: Economic Performance		
201-1	Direct economic value generated and distributed	19
GRI 205: Anti-Corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	25
205-3	Confirmed incidents of corruption and actions taken	25
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	23
GRI 305: Emissions 2016		
305-2	Energy indirect (Scope-2) CHG emissions	23
GRI 401: Employment		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	20
GRI 404: Training and Education		
404-1	Average hours of training per year per employee skills	21
GRI 405: Diversity and Equal Opportunities		
405-1	Diversity and equal opportunities in workplace	20
GRI 403: Occupational Health and Safety		
403-1	Occupational health and safety management system	22
403-2	Hazard identification, risk assessment, and incident investigation	22
403-3	Occupational health services	22
403-9	Work-related injuries	22
GRI 406: Non-Discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	21
GRI 408: Child Labour 2016		
408-1	Operations and suppliers at significant risk for incidents of child labour	21
GRI 409: Forced or Compulsory Labour 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	21

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

This report outlines the corporate governance framework and practices of the Company with specific reference made to the principles and guidelines of the Singapore Code of Corporate Governance 2018 (last amended on 11 January 2023) (the "**Code**") and the accompanying Practice Guidance and other applicable laws, rules and regulations, including the Catalist Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**").

The Board confirms that for the financial year ended 31 December 2022 ("**FY2022**"), the Company has adhered to the principles and guidelines as outlined in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

(a) review and approve corporate strategies, financial objectives and directions of the Group;

(b) establish goals for management and monitor the achievement of these goals;

(c) ensure management leadership of high quality, effectiveness and integrity;

(d) approve annual budgets, major funding proposals and investment proposals;

(e) review internal controls, risk management, financial performance and reporting compliance; and

(f) assume responsibility for corporate governance.

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

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

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company and hold the Management accountable for performance. The Board puts in place a code of conduct and ethics, sets the appropriate tone and desired organisational culture, and ensures proper accountability within the Company. The Board has set up procedures for dealing with conflicts of interest. Where any Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict.

Board Processes

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

CORPORATE GOVERNANCE REPORT

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

During FY2022, the Board held a total of 4 meetings to review the Group’s business operations and financial performance. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction.

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

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

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

The Company Secretary and/or her representatives attend all Board and Board Committee meetings, and assists the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The Company Secretary and/or her representatives also ensure that the requirements of the Companies Act and all other rules and regulations of the SGX-ST are complied. During FY2022, the Directors attended seminars that they find useful to better perform their duties physically and/or through electronic means.

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

The number of meetings and the participation of each individual Directors at the meetings held in FY2022 are disclosed in the table reflected below:

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

Note:
* Attendance by invitation

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

Director Orientation and Training

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

The Company will conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. Further, newly appointed Directors will be provided with a formal letter setting out their duties and obligations and appropriate training to ensure that they are fully aware of their responsibilities and obligations of being a Director. There is no new Director appointed during the financial year.

The aim of the orientation program is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. The new Director is also informed about matters such as the Code of Dealing in the Company's securities. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such regulatory changes, the Company provides opportunities for ongoing training on Board processes and best practices as well as updates on changes in legislation and financial reporting standard, regulations and guidelines from SGX-ST that affect the Company and/or the Directors in discharging their duties effectively.

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

In line with the requirement of the Task Force on Climate-related Financial Disclosures disclosure and the climate related disclosure, the Company has arranged for all the Directors to undergo a one-time training on the subject.

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

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

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

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

As at the date of this report, the Board comprises six (6) Directors, three (3) of whom are independent which is set out as follows:

Name of Director	Designation	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other Listed Companies and other Principle Commitments	Past Directorships in other Listed Companies and Other Principle Commitments held over preceding five years
Ow Chin Seng	• Executive Chairman and Chief Executive Officer • Member of Nominating Committee	31 March 1990	29 April 2022	–	–
Ow Eei Phurn, Benedict	• Executive Director and Sales Director	7 May 2021	29 April 2022	–	–
Ng Kim Keang	• Executive Director and Chief Operating Officer	3 January 2005	29 April 2020	–	–
Lim Geok Peng	• Non-Executive and Lead Independent Director • Chairman of Audit Committee • Member of Nominating Committee and Remuneration Committee	11 July 2017	29 April 2022	• CPA Partnership Pte. Ltd. • CPA John Lim & Co • CPA Advisory LLC • CPA Corporate Service Pte. Ltd.	• PKF-HT Khoo PAC • PKF-ACPA Management Consultants Pte. Ltd. • PKF-CAP Risk Consulting Pte. Ltd. • PKF-CAP Advisory Partners Pte. Ltd. • PKF-Khoo Management Services Pte. Ltd. • PKF-CAP Tax Solutions Pte. Ltd. • PKF-CAP LLP
Tan Poh Hong	• Non-Executive and Independent Director • Chairman of Remuneration Committee • Member of Nominating Committee and Audit Committee	26 July 2018	30 April 2021	• APAC Realty Limited • VICOM Ltd • Centurion Corporation Limited • Sheng Siong Group Ltd. • OTS Holdings Limited	• Barramundi Group Ltd.
Gan Thiam Poh	• Non-Executive and Independent Director • Chairman of Nominating Committee • Member of Remuneration Committee and Audit Committee	30 September 2019	29 April 2020	–	–

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Profiles of the Directors are found in the "Board of Directors" section of the Annual Report.

The Company maintains a strong and independent element on the Board with the Independent Directors constituting half of the Board. The Board has adopted the criteria on the Independent Director given in Provision 2.1 of the Code and Rule 406(3)(d) of the SGX-ST Catalist Rules. The Independent Directors have confirmed that they do not have any immediate family members employed by the Company and its subsidiaries and have no relationship with other Directors, the Company, its related corporations, its substantial shareholders or its officers that could, interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from the Management and its substantial shareholders. The Independent Directors are not and have not been employed by the Company or any of its related corporations in the current or any of the past three financial years.

As the Chairman is not an Independent Director, half of the Board is made up of Independent Directors. The Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs, even if the Independent Directors and Non-Executive Directors do not make up a majority of the Board as proposed in the Provisions 2.2 and 2.3 of the Code. Nevertheless, the NC will endeavor to comply with Provisions 2.2 and 2.3 of the Code by continuing to assess the board composition from time to time and make appropriate recommendations to the Board. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. There is no individual or small group of individuals that dominate the Board's decision-making process and matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board.

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

(a) the current arrangement is adequate given that the Independent Directors form at least half of the Board composition; and

(b) the composition of Directors as a whole provides core competencies necessary to meet the Group's requirements with an appropriate balance and mix of skills, experiences, knowledge and other aspects of diversity such as gender and age, taking into account the following:

   (i) the nature and scope of the Group's operations; and

   (ii) the Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experiences are extensive and complementary.

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

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

All appointments and re-elections of Directors are reviewed and recommended by the NC to the Board. The Company would conduct a background check on the new candidate and the new candidate would provide the relevant declarations to the NC and Board for review. The independence of each Independent Director is reviewed by the NC and the Board annually in accordance with the guidelines of the Code. The Board has adopted a Board Diversity Policy on 15 December 2022 to assist the NC and the Board in identifying prospective candidates for Directorship that meet the criteria as determined by the NC and that support the diversity's objectives. The Board Diversity Policy promotes the diversity among the Directors in order to improve performance. This diversity includes the range of skills, business and industry experience, gender, age, ethnicity, geographic background, length of service, and other distinctive qualities of the board members. The Company recognises that an effective board requires Directors to possess not only integrity, commitment, relevant experiences, qualifications and skills in carrying out their duties effectively but also include diverse background towards promoting good corporate governance. Currently, there is a female Independent Director on its Board of Directors.

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

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

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

Chairman and Chief Executive Officer

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

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

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

- scheduling of meetings (with the assistance of the Company Secretary and/or her representatives) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- setting the meeting agenda of the Board;
- ensuring that Board meetings are held, when necessary;
- facilitating contributions from the Independent Directors and encouraging constructive relationships between the Directors;
- exercising control over the quality, quantity and timeliness of information flow between the Management and the Board;
- ensuring and fostering constructive and effective communication with shareholders;
- promoting a culture of openness and debate at the Board; and
- promoting high standards of corporate governance with full support from the Directors and Management.

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

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

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

As the above practices deviate from the Provisions 2.2, 2.3 and 3.1 as recommended by the Code, the Board is progressively taking steps to re-constitute the composition of the board members to be in line with the Code.

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In line with the recommendation of Provision 3.3 of the Code, the Board has appointed Mr Lim Geok Peng ("**Mr Lim**") as the Lead Independent Director of the Company on 1 December 2021 to lead the meetings and avail to shareholders where they have concerns at email address john.lim@cpa-partnership.com.sg and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

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

Board Membership

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

As at the date of this report, the Board established the NC which comprises four (4) Directors, a majority of whom, including the NC Chairman, are Independent Directors. The NC is chaired by an Independent Director, Mr Gan Thiam Poh. The NC members are Mr Lim (the Lead Independent Director), Ms Tan Poh Hong and Mr Ow. The NC Chairman has no relationship (direct or indirect) with the Company, its related corporations, its substantial shareholders or its officer and is not directly associated with the substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interest of the Company.

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

(a) reviewing, assessing and recommending to the Board of all board appointments, re-appointments and nomination of Directors (including Alternate Directors, if any), having regard to their contributions and performances based on a formal and transparent process;

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

(c) reviewing regularly the board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the Directors as a Group. The NC shall make recommendations to the Board with regards to any adjustments that are deemed necessary;

(d) deciding whether or not a Director is able to and has been adequately carrying out duties as a Director;

(e) deciding the manner and criteria for evaluation of the performance of the Board, its Board Committees and individual Directors in which their performance may be evaluated and propose objective performance criteria for the Board's approval;

(f) reviewing the training and professional development programmes for the Board and its Directors; and

(g) making recommendation to the Board on the review of succession plans for all Directors, in particular the appointment and/or replacement of the Chairman, CEO and the key management personnel.

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

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

Currently, the Company does not have any Alternate Director being appointed to the Board during FY2022.

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

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

In respect to FY2022, the NC conducts an annual review of the balance, diversity and size of the Board to determine any changes are required in relation to the board composition. Where new Directors are required, the NC will identify, evaluate and select suitable candidates for new directorships. The NC considers factors such as the ability of the prospective candidates to contribute to discussions, the composition of the Board including the mix of expertise, skills and attributes to the existing Directors so as to identify needed and/or desired competencies to supplement the Board's existing attributes. After the Board endorsed the attributes, the NC taps into the resources of the Directors' contacts and/or engages external consultants to source for potential candidates. The NC will review and shortlist candidates and provide a recommendation for Board's approval.

In respect to FY2022, the NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs and is satisfied that Directors are able to and have adequately carried out his or her duties as Directors of the Company and has contributed to the effectiveness of the Board as a whole and its Board Committees.

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

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his/her re-nomination as a Director. Pursuant to Regulation 121 of the Constitution of the Company, Mr Ng Kim Keang and Mr Gan Thiam Poh, shall retire at the forthcoming AGM. Mr Ng Kim Keang and Mr Gan Thiam Poh have been nominated for re-election and have abstained from the voting process. The details of the Directors seeking for re-election are found in Table A set out on page 49 to page 50 of this Annual Report.

Board Performance

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

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

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

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

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

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Board Committees

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

Nominating Committee

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

Remuneration Committee

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

Audit Committee

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

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

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

The evaluation of board performance is conducted annually to identify areas of improvement and as a form of good board management practice. During the financial year under review, each Director was required to complete the evaluation form and individual Director's assessments adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, Board Committees and each Director's contributions, the last Board of Directors' evaluation was conducted on 27 February 2023 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention have been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Group's remuneration policy is to provide remuneration packages at market rates which rewards successful performance and attracts, retains and motivates Directors and key management personnel.

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

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

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

(a) annual review of the remuneration of each of the Directors and key management personnel;

(b) recommendations to the Board on a general framework of remuneration of the Directors and key management personnel;

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(c) determination of specific remuneration packages, including its termination terms, for the Directors and key management personnel; and

(d) implement and administer share option scheme established from time to time for the Directors and key management personnel.

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

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

Each member of the RC will abstain from reviewing and approving his or her own remuneration, compensation or any form of benefit and the remuneration packages of persons related to him or her. The RC met once during the financial year on 28 February 2022.

The RC, in considering the remuneration of all Directors, has not sought external advice nor appointed remuneration consultants during FY2022 and will continue to monitor the need of engaging external remuneration consultant as and where applicable.

Level and Mix of Remuneration

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

The Executive Directors do not receive Directors' fees except Mr Ow who sits on Nominating Committee as member and is paid in accordance to his service agreement with the Company. In setting the remuneration packages of the Executive Directors, the Company takes into account the remuneration and employment conditions within the same industry and in comparable companies, the performance of the Group, the performance of the individuals and value creation as enumerated under the Code which are aligned with long term interest and risk policies of the Group. For FY2022, the Executive Directors and key management personnel have met the relevant performance conditions.

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

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

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

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Disclosure on Remuneration

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

A breakdown showing the level and mix of remuneration of each Director's and key management personnel (who are not Directors or the CEO) and those who were in service for FY2022 is set out below:

Name of Director	Remuneration paid/payable in FY2022					Breakdown of the Directors' Remuneration				
	Up to S$250,000	S$250,001 to S$500,000	S$500,001 to S$750,000	S$750,001 to S$1,000,000	S$1,000,001 to S$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mr Ow Chin Seng	–	–	–	X	–	51	1	44	4	100
Mr Ow Eei Phurn, Benedict[(1)]	–	X	–	–	–	46	0	49	5	100
Mr Ng Kim Keang	–	–	X	–	–	55	0	40	5	100
Mr Lim Geok Peng	X	–	–	–	–	0	100	0	0	100
Ms Tan Poh Hong	X	–	–	–	–	0	100	0	0	100
Mr Gan Thiam Poh	X	–	–	–	–	0	100	0	0	100

Note:
(1) Mr Ow Eei Phurn, Benedict is the son of Mr Ow Chin Seng

Name of key management personnel	Remuneration paid/payable in FY2022					Breakdown of the Executives' Remuneration				
	Up to S$250,000	S$250,001 to S$500,000	S$500,001 to S$750,000	S$750,001 to S$1,000,000	S$1,000,001 to S$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Dr Yang Guo Ying	X	–	–	–	–	71	0	11	18	100
Mr Lim Khan Choon	X	–	–	–	–	77	0	23	0	100
Mr Terence Sim Soo Yong	X	–	–	–	–	92	0	0	8	100
Mr Tay Chee Seng	X	–	–	–	–	71	0	23	6	100

Name of employees who are substantial shareholders or family members of a Director or substantial shareholders working in Annaik Group	Remuneration paid/payable in FY2022						Breakdown of the Executives' Remuneration				
	Up to S$100,000	S$100,001 to S$200,000	S$200,001 to S$300,000	S$300,001 to S$400,000	S$400,001 to S$500,000	S$500,001 to S$600,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mdm Low Kheng[(1)]	–	–	X	–	–	–	73	0	25	2	100
Mr Ow Eei Meng, Benjamin[(2)]	–	–	–	–	X	–	48	0	46	6	100

Notes:
(1) Mdm Low Kheng is the wife of Mr Ow Chin Seng and mother of Mr Ow Eei Phurn, Benedict and Mr Ow Eei Meng, Benjamin
(2) Mr Ow Eei Meng, Benjamin is the son of Mr Ow Chin Seng and Mdm Low Kheng and brother of Mr Ow Eei Phurn, Benedict

CORPORATE GOVERNANCE REPORT

The annual aggregate amount of the total remuneration paid to these key management personnel, employees who are substantial shareholders and family members of a Director (who are not Directors or the CEO) for FY2022 is approximately S$1,460,192.

The annual aggregate amount of the termination, retirement and post-employment benefits granted to Directors and the CEO under their current contracts of employment or appointment (as the case may be) as at FY2022 is approximately S$1,103,300.

The Company is transparent on its remuneration policies, which has been disclosed not only as part of compliance with Principle 8 but also in respect of Principle 7 of the Code. In particular, the Company has elaborated on the remuneration policy governing the remuneration of the Executive Directors and the factors taken into account for the remuneration of the Independent Directors.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequate but not excessively remunerated. The RC will consider and deliberate on the performance conditions to which Executive Director's and key management personnel's entitlement to short term and long-term incentive schemes are subject and make the necessary disclosures, if any.

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

Annual variable bonuses would be linked to achievement of financial and non-financial key performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management). Long-term incentive plans are conditional upon pre-determined performance targets being met and the long-term incentive plans serve to motivate and reward employees and align their interests to maximise long term shareholders' value. The RC will continue to review the performance share scheme when appropriate. The RC ensures that there is a strong correlation between bonuses payable, and the achievement and performance of the Group and individual staff. The RC also ensures that there is a good balance of short-term and long-term incentive schemes to motivate continuous and sustainable performance.

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

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

The Company has adopted the AnnAik Employee Share Option Scheme 2013 (the "**ESOS**"), which was approved by the shareholders at an Extraordinary General Meeting held on 18 September 2013, as part of a compensation plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The ESOS is administered by the RC which consists of Ms Tan Poh Hong, Mr Gan Thiam Poh and Mr Lim Geok Peng. Further details are found on pages 52 and 53 of this Annual Report.

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

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

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

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

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

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, and on the Company's website. The Company's annual report is accessible on the Company's website or SGXNET.

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

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

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

The AC has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures on a regular basis.

For FY2022, the Board has received assurances from:

(a) the CEO and COO of the Company that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems in addressing financial, operational, compliance and information technology risks are operating effectively.

CORPORATE GOVERNANCE REPORT

The AC has reviewed, with the assistance of the Internal and External Auditors, the adequacy and effectiveness of the Company's risk management internal controls, addressing financial, operational, compliance and information technology risks.

Based on the results of audit by the Internal and External Auditors, their recommendations, the various management controls and reports put in place, representation letter from the Management and periodic reviews by the Management, the Board with the concurrence of the AC is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls, and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2022. The Board will continue to enhance and improve the existing internal control framework to identify and mitigate these risks from time to time.

Audit Committee

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

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

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

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

CORPORATE GOVERNANCE REPORT

Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularities, failure of internal controls or infringement of any Singapore law, rule or regulation which has or likely to have a material impact on the operating results and/or financial position of the Group. In the event that a member of the AC is interested in any matter being considered by the AC, he or she will abstain from reviewing that particular transaction or voting on that particular resolution. There is no such internal investigations during the years required.

It has been proposed that the AC will meet at least two times a year and as frequently as is required. In FY2022, the AC has met two times to review and approve the Group's half yearly announcement of unaudited results, full year announcement of unaudited results and approval of audit planning memorandum for statutory audit in FY2022.

There were no non-audit services provided by the External Auditors in FY2022 that would affect the independence of the External Auditors. The aggregate amount of audit fees paid or payable to auditors for the financial year ended amounted to S$215,000. The AC is satisfied with the independence and objectivity of Messrs UHY Lee Seng Chan & Co. and has recommended to the Board the nomination of Messrs UHY Lee Seng Chan & Co. for re-appointment as auditors of the Company at the forthcoming AGM.

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

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

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

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

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the External Auditors in their meetings with the AC, to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. In line with Provision 10.3 of the Code, 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.

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

The AC meets with the Internal and External Auditors separately without the presence of Management at least once a year. For FY2022, the AC met once with the EA and IA without the presence of Management.

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

1	Write down of inventories to net realisable value.
2	Impairment assessment of trade receivables.
3	Impairment assessment of goodwill.

CORPORATE GOVERNANCE REPORT

Whistle-blowing policy

The Company has put in place a whistle-blowing policy in order to develop a culture of openness, accountability and integrity. The policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities. It aims to provide an avenue to employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle- blowing in good faith within the limits of the law. The AC must discuss such matters with the External Auditors and, at appropriate times, report the matter to the Board and to the Sponsor. The Sponsor should inform the Exchange where necessary. The Group has designated an independent function to investigate whistleblowing reports made in good faith and ensures that the identity of the whistleblower is kept confidential and the Group is committed to ensure protection of the whistleblower against detrimental or unfair treatment. There were no whistle-blowing matters reported during the financial year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters. Staff of the Group has access to the Audit Committee Chairman and may, in confidence and on an anonymous basis, raise concerns about possible improprieties in any such corporate matters by sending an email to john.lim@cpa-partnership.com.sg or a letter in writing to the Audit Committee Chairman.

Internal Audit

Since FY2022, the Company, upon the recommendation of the AC, appointed Messrs Assentsure as Internal Auditors.

Messrs Assentsure was founded in 2018 by a group of experienced chartered accountants/professionals from various fields. Assentsure offers diversified business advisory services in Singapore. Assentsure offers a full range of professional services, including audit and assurance, tax advisory and compliance, forensic investigation, business consulting, corporate governance, accounting and bookkeeping and corporate secretarial.

The internal audit engagement team comprises Engagement Partner (Su Chun Keat), Engagement Manager (Yong Chai Shing), and other team members.

The scope of internal audit is to:

(a) review the effectiveness of the Group's material internal controls;

(b) provide assurance that key business and operational risks are identified and managed;

(c) internal controls are in place and functioning as intended; and

(d) operations are conducted in an effective and efficient manner.

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

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

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

The internal audit work carried out in FY2022 was guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The AC and the Board review the adequacy and effectiveness of the internal audit function on an annual basis and are satisfied that in FY2022, the internal audit function has adequate resources to perform its duties effectively and is staffed by suitably qualified and experienced professionals with the relevant experience and independent of its activities it audits.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

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

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

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

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

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

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

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

In view of the coronavirus disease 2019 (COVID-19) situation, the AGM of the Company held in respect of FY2021 was convened and held by electronic means on 29 April 2022 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, were put in place for the AGM FY2021 of the Company.

The Company anticipates that the forthcoming AGM of the Company to be held in respect of FY2022 will be convened and held physically, with the safe distancing measures in place to keep interactions and transmission risk to a minimum.

The Company prepares and publishes minutes of general meetings incorporating the substantial and relevant queries from shareholders relating to the agenda of the meeting and responses from the Board and the Management. The Company will publish the minutes of the forthcoming AGM within one month from the AGM in accordance with the guidance on the conduct of general meetings amid evolving COVID-19 situation issued by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation. Such minutes are also available to shareholders on its corporate website as soon as practicable.

CORPORATE GOVERNANCE REPORT

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

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

Engagement with shareholders

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

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

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

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. Printed copies of this Notice of AGM and appendix to this Notice of AGM — Appendix, the Proxy Form and the Annual Report FY2022 will not be sent to members. Instead, these documents will be published on the Company's website at the URL www.annaik.com and on the SGX website at the URL http://www.sgx.com/securities/company-announcements.

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

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

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

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

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

CORPORATE GOVERNANCE REPORT

Stakeholders can contact the Company on the following services:

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

DEALING IN SECURITIES

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

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

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

(i) during the one month before and up to the date of announcement of half year and full year results;

(ii) on short term considerations; and

(iii) at any time if they are in possession of unpublished material price-sensitive information.

The Company has complied with Rule 1204(19) of the SGX-ST Catalist Rules.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested person within the definition of Chapter 9 of the SGX-ST Catalist Rules and has set out procedures for review and approval of all interested person transactions. There were no interested person transactions equal to or exceeding S$100,000 in aggregate between the Company and any of its interested persons (namely, Directors, Chief Executive Officer or controlling shareholders of the Group or the associates of such Directors, Chief Executive Officer or controlling shareholders) for the financial year ended 31 December 2022.

RISK MANAGEMENT

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in Note 38 to the financial statements.

MATERIAL CONTRACTS

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

NON-SPONSOR FEES

With reference to Rule 1204(21) of the SGX-ST Catalist Rules, there were no non-sponsor fees paid to the Sponsor, Hong Leong Finance Limited for the financial year ended 31 December 2022.

<u>TABLE A</u>

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

CORPORATE GOVERNANCE REPORT

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:

Name of Director	**Ng Kim Keang ("Mr Ng")**	**Gan Thiam Poh ("Mr Gan")**
Date of Appointment	3 January 2005	30 September 2019
Date of last re-appointment (if applicable)	29 April 2020	29 April 2020
Age	48	60
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	The Board of Directors of the Company is of the opinion that Mr Ng can contribute positively to the Company after reviewing the Nominating Committee's recommendation and Mr Ng's qualifications, extensive experiences and suitability	The Board of Directors of the Company is of the opinion that Mr Gan can contribute positively to the Company after reviewing the Nominating Committee's recommendation and Mr Gan's qualifications, extensive experiences and suitability
Whether appointment is executive, and if so, the area of responsibility	Executive, managing the overall operations and the finance and accounting matters of the Group	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director cum Chief Operating Officer	Non-Executive and Independent Director, Chairman of Nominating Committee and member of Remuneration Committee and Audit Committee
Professional qualifications	Bachelor of Commerce from University of Adelaide, Australia, and is a full member of CPA (Australia) and Institute of Singapore Chartered Accountant.	Bachelor of Science (Economics and Mathematics) degree from the National University of Singapore
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Working experience and occupation(s) during the past 10 years	Mr Ng joined the Company in January 2003 as Financial Controller, and was promoted to Executive Director in January 2005 and Chief Operating Officer in March 2015. Currently, Mr Ng is responsible for managing the overall operations and the finance and accounting matters of the Group. Prior to joining the Company, Mr Ng worked in Deloitte & Touche, Malaysia, and Ernst & Young, Singapore.	Mr Gan has worked at DBS Bank since 2002 and is currently the Senior Vice President of Private Banking, DBS Bank Ltd. He has been in the Banking and Finance Industry since 1989 and held several leadership and senior roles in Institutional Banking. In his current role; he advises high-net-worth and ultrahigh net-worth families with valuable wealth planning solutions. He has been the Member of Parliament since 2011 and is currently the Member of Parliament for Ang Mo Kio Group Representation Constituency from 2015 to present. He was the Audit Committee Chairman and Independent Director of Mainboard Listed Ouhua Energy Holdings Limited.
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Ng Kim Keang ("Mr Ng")	Gan Thiam Poh ("Mr Gan")
Shareholding interest in the listed issuer and its subsidiaries	Direct interest – 9,739,500 shares	Mr Gan does not hold any shares in AnnAik Limited and its subsidiaries.
Other Principal Commitments* Including Directorships#	Past (for the last 5 years) • Megatech Scientific Pte Ltd Present • Anxon Engineering Pte. Ltd. • AnnAik & Partners (S) Pte. Ltd. • Pioneer Environmental Technology Pte. Ltd. • Anxon Environmental Pte. Ltd. • Anxon Eco Holdings Pte. Ltd. • Anxon Oasis Pte. Ltd. • Ann Aik Pte. Ltd. • Shinsei Holdings Pte. Ltd. • Anxon Envirotech Pte. Ltd. • Metal Wang Pte. Ltd. • Dalian Shicheng Property Development (S) Pte. Ltd.	Past (for the last 5 years) None Present None
Any prior experience as a Director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	Has been an Executive Director of AnnAik Limited since 2005	Independent Director and Audit Committee Chairman of Ouhua Energy Holdings Limited
If no, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable).	Mr Ng has attended training on the roles and responsibilities of Director of listed issuer as prescribed by the Exchange and has been a Director of public listed company for many years	Mr Gan has attended training on the roles and responsibilities of Director of listed issuer as prescribed by the Exchange and has been a Director of public listed company for many years

The retiring Directors have responded negative to items (a) to (k) listed in Appendix 7F of the SGX-ST Catalist Rules.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2022.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
Name of director	**At beginning of financial year**	**At the end of financial year**	**At as 21 January 2023**	**At beginning of financial year**	**At the end of financial year**	**At as 21 January 2023**
AnnAik Limited						
Ordinary shares						
Ow Chin Seng	94,739,197	94,739,197	96,174,197	15,361,555	17,156,455	18,606,455
Ow Eei Phurn, Benedict	655,000	1,155,000	1,155,000	497,750	497,750	497,750
Ng Kim Keang	8,277,000	8,277,000	9,739,500	–	–	–
Options to subscribe for ordinary shares under the AnnAik Share Option Scheme						
Ow Chin Seng	1,662,500	1,662,500	1,662,500	1,662,500	1,662,500	1,662,500
Ng Kim Keang	1,812,500	1,812,500	1,812,500	–	–	–
Warrants						
Ow Chin Seng	18,590,739	18,590,739	18,590,739	6,068,731	6,068,731	6,068,731
Ow Eei Phurn, Benedict	–	–	–	99,550	99,550	99,550
Ng Kim Keang	770,000	770,000	770,000	–	–	–

By virtue of Section 7 of the Singapore Companies Act 1967, Mr Ow Chin Seng is deemed to have an interest in all the related corporations of the Company.

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

5. OPTIONS

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

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

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

DIRECTORS' STATEMENT

5. OPTIONS (CONTINUED)

As at 31 December 2022, the details of the share options held by the directors of the Company under the Share Option Scheme are as follows:

Name of director	Options granted from 1.1.2022 to 31.12.2022 '000	Aggregate options granted since commencement of the Scheme to 31.12.2022 '000	Aggregate options exercised since commencement of the Scheme to 31.12.2022 '000	Aggregate options cancelled/ lapsed since commencement of the Scheme to 31.12.2022 '000	Aggregate options outstanding as at 31.12.2022 '000
Ow Chin Seng	–	1,663	–	–	1,663
Ng Kim Keang	–	1,813	–	–	1,813

Details of the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2022 are as follows:

Date of grant	Balance at 1.1.2022 '000	Grant '000	Exercised '000	Cancelled/ Lapsed '000	Balance at 31.12.2022 '000	Exercise price per option $	Exercise period
16.10.2013	9,480	–	(1,057)	(90)	8,333	0.067	17.10.2015 to 15.10.2023
18.10.2019	2,370	–	(264)	(22)	2,084	0.067	18.10.2019 to 15.10.2023
	11,850	–	(1,321)	(112)	10,417		

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

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

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

6. AUDIT COMMITTEE

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

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

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act 1967, including the following:

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

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

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

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

DIRECTORS' STATEMENT

7. AUDITORS

UHY Lee Seng Chan & Co has expressed its willingness to accept re-appointment as auditors.

On behalf of the board of directors:

Ow Chin Seng
Director

Ng Kim Keang
Director

Singapore

30 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of AnnAik Limited
For the financial year ended 31 December 2022

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (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 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
1. Write down of inventories to net realisable value The Group's inventories comprise steel products (such as flanges, plates, pipes and fittings and valves) which are commonly used in various industries such as construction and petrochemical. As at 31 December 2022, the carrying amount of inventories amounted to $25,102,000, net of allowance for slow moving inventories of $2,025,000. These inventories represent approximately 20.0% and 41.2% of the Group's total assets and current assets respectively. The Group is exposed to risk of slow-moving inventories as a result of volatility in selling prices of steel products. Significant judgement is required in the estimation of net realisable value and allowance for slow moving inventories. Such estimation is subject to factors such as volatility in the steel price, current and expected future market demand which may also be affected by pricing competition, inflationary pressures, high interest-rate environment brought about by the on-going geopolitical tensions between US and China and the on-going war between Ukraine and Russia. As such, we determined that this is a key audit matter. The disclosures in the financial statements are set out in Notes 2.15, 3.2(c) and 20 of the accompanying financial statements.	Our audit procedures included but were not limited to the following: a) Attended the inventory count and observed management's process in identifying slow moving items; b) Evaluated the Group's processes and controls relating to sale and purchase of inventories; c) Reviewed management processes in determining the selling prices of steel products by looking at current and expected future market demand and historical trend of steel prices; d) Evaluated management's assumptions and estimates used to determine the write down amount through testing of the reliability of the sales movement reports and reviewing historical sales patterns; e) Performed testing on a sample of items to assess the cost and the estimation of net realisable value of inventories; f) Reviewed the adequacy of the related disclosures in Note 20 of the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of AnnAik Limited
For the financial year ended 31 December 2022

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in our audit
2. Impairment assessment of trade receivables As at 31 December 2022, the Group recorded a net trade receivables of $18,705,000 which represents approximately 14.9% and 30.7% of the Group's total assets and current assets respectively. The Group has provided loss allowance on expected credit loss ("ECL") of $936,000, which represents approximately 4.8% of the Group's gross trade receivables. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group estimates the credit loss allowance by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for available current and forward-looking information specific to the debtors and economic environment. As the determination of the ECL for trade receivables involves significant management judgement and estimation, we have identified this as a key audit matter.	Our audit procedures included but were not limited to the following: a) Evaluated the Group's processes and controls relating to the monitoring of trade receivables including the enhanced controls arising from the COVID-19 endemic, high interest-rate environment and review of credit risks arising from transactions with customers; b) Requested trade receivable confirmations and evidence of receipts from the trade receivables subsequent to the year end on a sample basis; c) Evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments taking into consideration the current economic situation; d) Evaluated the ECL allowance established and the amount recognised in profit or loss through checking the arithmetic accuracy of management's computation of the ECL, testing the accuracy of the ageing of the trade receivables, analyses of ageing profile of the trade receivables to identify collection risks and assessment of significant overdue individual trade receivables; e) Assessed the adequacy of the disclosures on the trade receivables, the sensitivity analysis and the related credit risk and liquidity risk in Note 21, Note 3.2(b), Note 38(a) and Note 38(b) to the financial statements respectively.
3. Impairment assessment of goodwill As at 31 December 2022, the Group's total goodwill relating to the concession rights of the wastewater treatment business amounted to $497,000. Management has performed the impairment assessment using the discounted cash flow method which required significant judgment and estimation in determining the recoverable amount of the goodwill. As such, we determined this to be a key audit matter. The disclosures in the financial statements are set out in Note 3.2(a), 2.10(b), 13 and 14.	Our audit procedures included but were not limited to the following: a) Assessed the appropriateness of the methodology and evaluated the key assumptions and estimates used by management in determining the recoverable amount of this investment; b) Assessed the reasonableness of the key inputs used in the projection based on our understanding of the business and compared against externally available industry, economic and financial data; c) Engaged our internal valuation specialist to evaluate the discount rates applied by management to determine the present values, by considering the key elements and risks of the respective cash flow projections, and making comparison to external observable data as well as conditions brought about by macroeconomic factors; d) Reviewed management's analysis of the recoverable amount based on key assumptions used, such as gross profit margin, growth rate and discount rate; e) Performed sensitivity analysis on key assumptions such as the discount rate used by management; f) Reviewed the adequacy of the disclosures on the impairment test in Note 13 of the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of AnnAik Limited
For the financial year ended 31 December 2022

Other Matter

The consolidated financial statements of the Group for the financial year ended 31 December 2021 and the balance sheet and statement of changes in equity of the Company as at 31 December 2021 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 30 March 2022.

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 have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of AnnAik Limited
For the financial year ended 31 December 2022

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Lee Sen Choon.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
30 March 2023

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2022

	Note	Group 2022 $'000	Group 2021 $'000
Revenue	4	**87,810**	99,571
Cost of sales		**(68,708)**	(82,904)
Gross profit		**19,102**	16,667
Other income	5	**2,659**	2,740
Distribution expenses		**(1,144)**	(1,167)
Administrative expenses		**(10,339)**	(9,504)
Impairment losses on financial assets	6	**(102)**	(112)
Other operating expenses		**(900)**	(1,008)
Share of profits/(losses) of associates		**339**	(481)
Finance costs	7	**(1,198)**	(1,297)
Profit before tax	8	**8,417**	5,838
Income tax expense	9	**(1,070)**	(786)
Profit for the year		**7,347**	5,052
Attributable to:			
Owners of the Company		**5,526**	3,093
Non-controlling interests		**1,821**	1,959
		7,347	5,052
Earnings per share (cents per share):			
– Basic	10	**1.92**	1.07
– Diluted	10	**1.91**	1.07

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Group	
	2022	**2021**
	$'000	**$'000**
Profit for the year	**7,347**	5,052
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss		
Foreign currency translation	**(4,632)**	2,541
Other comprehensive (loss)/income for the year, net of tax	**(4,632)**	2,541
Total comprehensive income for the year	**2,715**	7,593
Total comprehensive income attributable to:		
Owners of the Company	**2,133**	5,003
Non-controlling interests	**582**	2,590
	2,715	7,593

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

BALANCE SHEETS

As at 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	11	**11,954**	13,017	**11**	12
Right-of-use assets	12(a)	**4,173**	4,190	**–**	–
Goodwill	13	**497**	497	**–**	–
Intangible assets	14	**37,197**	38,532	**1,018**	1,357
Investments in subsidiaries	15	**–**	–	**26,516**	23,076
Investments in associates	16	**10,338**	10,926	**–**	–
Investment securities	17	**67**	67	**–**	–
Club membership	18	**190**	190	**190**	190
Refundable deposits	19	**451**	493	**–**	–
Deferred tax assets	29	**62**	3	**–**	–
		64,929	67,915	**27,735**	24,635
Current assets					
Inventories	20	**25,102**	26,083	**–**	–
Prepayments		**154**	190	**25**	23
Trade and other receivables	21	**20,631**	24,309	**–**	254
Amounts due from subsidiaries	22	**–**	–	**11,086**	11,703
Cash and cash equivalents	23	**15,002**	14,382	**305**	215
Assets classified as held for sale	24	**–**	9,619	**–**	–
		60,889	74,583	**11,416**	12,195
Total assets		**125,818**	142,498	**39,151**	36,830
Current liabilities					
Amounts due to subsidiaries and associates	22	**326**	426	**465**	460
Trade payables	25	**3,443**	4,812	**–**	–
Other payables and accruals	26	**8,286**	13,013	**1,281**	1,114
Loans and borrowings	27	**13,696**	19,125	**616**	612
Provision for income tax		**1,316**	600	**–**	–
Lease liabilities	12(b)	**324**	172	**–**	–
		27,391	38,148	**2,362**	2,186
Net current assets		**33,498**	36,435	**9,054**	10,009

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

BALANCE SHEETS

As at 31 December 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Non-current liabilities					
Other payables and accruals	26	**34**	133	**–**	–
Loans and borrowings	27	**14,210**	19,985	**512**	758
Deferred government grants	28	**1,396**	1,599	**–**	–
Deferred tax liabilities	29	**998**	1,076	**–**	–
Lease liabilities	12(b)	**2,763**	2,731	**–**	–
		19,401	25,524	**512**	758
Total liabilities		**46,792**	63,672	**2,874**	2,944
Net assets		**79,026**	78,826	**36,277**	33,886
Equity attributable to equity holders of the Company					
Share capital	30(a)	**38,864**	38,776	**38,864**	38,776
Treasury shares	30(b)	**(568)**	(568)	**(568)**	(568)
Foreign currency translation reserve	31	**(966)**	2,427	**–**	–
Statutory reserve fund	32	**3,277**	2,583	**–**	–
Employee share option reserve	33	**454**	517	**454**	517
Retained earnings/(Accumulated losses)		**23,449**	20,564	**(2,473)**	(4,839)
		64,510	64,299	**36,277**	33,886
Non-controlling interests		**14,516**	14,527	**–**	–
Total equity		**79,026**	78,826	**36,277**	33,886
Total equity and liabilities		**125,818**	142,498	**39,151**	36,830

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

Group	Share capital (Note 30(a)) $'000	Treasury shares (Note 30(b)) $'000	Foreign currency translation reserve (Note 31) $'000	Statutory reserve fund (Note 32) $'000	Employee share option reserve (Note 33) $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2022									
Balance at 1 January 2022	38,776	(568)	2,427	2,583	517	20,564	64,299	14,527	78,826
Profit for the year	–	–	–	–	–	5,526	5,526	1,821	7,347
Other comprehensive income									
– Foreign currency translation	–	–	(3,393)	–	–	–	(3,393)	(1,239)	(4,632)
Total comprehensive income for the year	–	–	(3,393)	–	–	5,526	2,133	582	2,715
Contribution by and distributions to owners									
– Issuance of shares under ESOS Scheme 2013	88	–	–	–	(58)	58	88	–	88
– Expiry of share options	–	–	–	–	(5)	5	–	–	–
– Dividends paid (Note 34)	–	–	–	–	–	(2,010)	(2,010)	–	(2,010)
– Return of capital to non-controlling interests	–	–	–	–	–	–	–	(265)	(265)
Total transactions with owners via their capacity as owners	88	–	–	–	(63)	(1,947)	(1,922)	(265)	(2,187)
Changes in ownership interests in subsidiaries									
– Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	(274)	(274)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	(274)	(274)
Others									
– Transfer to statutory reserve fund	–	–	–	694	–	(694)	–	–	–
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(54)	(54)
	–	–	–	–	–				
Balance at 31 December 2022	38,864	(568)	(966)	3,277	454	23,449	64,510	14,516	79,026

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

Group	Share capital (Note 30(a)) $'000	Treasury shares (Note 30(b)) $'000	Foreign currency translation reserve (Note 31) $'000	Statutory reserve fund (Note 32) $'000	Employee share option reserve (Note 33) $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2021									
Balance at 1 January 2021	38,776	(470)	438	2,567	517	18,300	60,128	13,157	73,285
Profit for the year	–	–	–	–	–	3,093	3,093	1,959	5,052
Other comprehensive income									
– Foreign currency translation	–	–	1,910	–	–	–	1,910	631	2,541
Total comprehensive income for the year	–	–	1,910	–	–	3,093	5,003	2,590	7,593
Contribution by and distributions to owners									
– Purchase of treasury shares	–	(98)	–	–	–	–	(98)	–	(98)
– Dividends paid (Note 34)	–	–	–	–	–	(289)	(289)	–	(289)
Total transactions with owners via their capacity as owners	–	(98)	–	–	–	(289)	(387)	–	(387)
Changes in ownership interests in subsidiaries									
– Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	(686)	(686)
– Capital contributions from non-controlling interests	–	–	–	–	–	–	–	566	566
– Liquidation of a subsidiary	–	–	(50)	(196)	–	(199)	(445)	(255)	(700)
Total changes in ownership interests in subsidiaries	–	–	(50)	(196)	–	(199)	(445)	(375)	(820)
Others									
– Reclassification of reserve fund	–	–	129	(129)	–	–	–	–	–
– Transfer to statutory reserve fund	–	–	–	341	–	(341)	–	–	–
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(845)	(845)
Balance at 31 December 2021	38,776	(568)	2,427	2,583	517	20,564	64,299	14,527	78,826

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2022

Company	Share capital (Note 30(a)) $'000	Treasury shares (Note 30(b)) $'000	Employee share option reserve (Note 33) $'000	Accumulated losses $'000	Total equity $'000
2022					
At 1 January 2022	**38,776**	**(568)**	**517**	**(4,839)**	**33,886**
Total comprehensive income for the year	**–**	**–**	**–**	**4,313**	**4,313**
Contribution by and distributions to owners					
– Issuance of shares under ESOS Scheme 2013	**88**	**–**	**(58)**	**58**	**88**
– Expiry of share options	**–**	**–**	**(5)**	**5**	**–**
– Dividends paid (Note 34)	**–**	**–**	**–**	**(2,010)**	**(2,010)**
Total transactions with owners via their capacity as owners	**88**	**–**	**(63)**	**(1,947)**	**(1,922)**
At 31 December 2022	**38,864**	**(568)**	**454**	**(2,473)**	**36,277**
2021					
At 1 January 2021	38,776	(470)	517	(1,964)	36,859
Total comprehensive loss for the year	–	–	–	(2,586)	(2,586)
Contribution by and distributions to owners					
– Purchase of treasury shares	–	(98)	–	–	(98)
– Dividends paid (Note 34)	–	–	–	(289)	(289)
Total transactions with owners via their capacity as owners	–	(98)	–	(289)	(387)
At 31 December 2021	38,776	(568)	517	(4,839)	33,886

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2022

	Note	Group 2022 $'000	Group 2021 $'000 [Represented] (Note 43)
Cash flows from operating activities:			
Profit before tax		**8,417**	5,838
Adjustments for:			
Amortisation of government grants	5, 28	**(68)**	(75)
(Gain)/loss on disposal of property, plant and equipment	5	**(11)**	3
Gain on disposal of assets classified as held for sale	5, 24	**(702)**	(94)
Gain on liquidation of subsidiary	5, 15(d)	**–**	(505)
Loss on disposal of intangible assets	8	**232**	–
Impairment losses on financial assets	6, 21	**102**	112
Bad debts written off/(written back)	8	**7**	(151)
Impairment loss of property, plant and equipment	8, 11	**120**	–
Depreciation of property, plant and equipment	8, 11	**929**	1,394
Depreciation of right-of-use assets	8, 12	**364**	383
Amortisation of intangible assets	8, 14	**1,791**	1,994
Reversal of impairment loss on investment in associates	8, 16	**–**	(15)
Allowance for slow moving inventories	8, 20	**380**	1
Write down/(reversal of write down) of inventories to net realisable value	8, 20	**32**	(164)
Property, plant and equipment written off	8	**4**	105
Intangible assets written off	8	**–**	229
Share of (profits)/losses of associates		**(339)**	481
Interest income	5	**(104)**	(68)
Finance costs	7	**1,198**	1,297
Unrealised foreign exchange (gain)/loss, net		**(453)**	96
Operating profit before working capital changes		**11,899**	10,861
Decrease/(increase) in:			
Trade receivables		**(514)**	(2,379)
Other receivables and prepayments		**4,181**	(469)
Inventories		**571**	(5,456)
(Decrease)/increase in:			
Trade payables		**(1,369)**	1,338
Other payables		**(4,826)**	846
Bills payables		**(3,156)**	2,783
Cash generated from operations		**6,786**	7,524
Interest expense paid		**(1,055)**	(1,152)
Interest income received		**104**	68
Income taxes paid		**(436)**	(759)
Net cash flows from operating activities		**5,399**	5,681

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2022

	Note	Group 2022 $'000	Group 2021 $'000 [Represented] (Note 43)
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		**23**	19
Proceeds from disposal of assets classified as held for sale		**10,279**	136
Proceeds from disposal of intangible assets		**15**	–
Purchase of property, plant and equipment	11	**(104)**	(83)
Additions to intangible assets	14	**(3,830)**	(4,866)
Acquisition of non-controlling interests without a change in control	15(b)	**(274)**	(686)
Purchase of investment securities	17	**–**	(67)
Dividend received from associates		**–**	520
Net cash outflows on liquidation of a subsidiary	15(d)	**–**	(251)
Net cash flows from/(used in) investing activities		**6,109**	(5,278)
Cash flows from financing activities:			
Purchase of treasury shares	30(b)	**–**	(98)
Proceeds from issuance of shares under ESOS Scheme 2013	30(a)	**88**	–
Proceeds from loans and borrowings	27	**3,367**	6,037
Repayment of loans and borrowings	27	**(10,819)**	(5,716)
Decrease in amount due to associates	27	**(100)**	(858)
(Return of capital to)/capital contributions from non-controlling interests	15(c)	**(265)**	566
Dividends paid	34	**(2,010)**	(289)
Dividends paid to non-controlling interests		**(54)**	(845)
Payment of principal portion of lease liabilities	12	**(243)**	(163)
Payment of interest on lease liabilities	12	**(143)**	(145)
Net cash flows used in financing activities		**(10,179)**	(1,511)
Net increase/(decrease) in cash and cash equivalents		**1,329**	(1,108)
Cash and cash equivalents at beginning of year		**14,382**	15,048
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(709)**	442
Cash and cash equivalents at end of year	23	**15,002**	14,382

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

1. CORPORATE INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and that are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) *Practice Statement 2:* Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 1-116 *Leases:* Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements:* Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. For equity investment securities held at FVOCI, exchange differences arising from translation are recognised in other comprehensive income and included in fair value reserves.

(b) Consolidated financial statements

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

2.7 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Associate

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

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

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

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

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

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

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

2.9 Property, plant and equipment

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

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

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

Depreciation of other assets is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property, plant and equipment (Continued)

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

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

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

2.10 Intangible assets

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

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

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

(a) Patent rights

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

(b) Concession rights

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

(c) Technical know-how

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

(d) Club membership

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

(i) Amortised cost

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

(ii) Fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Investments in equity instruments

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

Derivatives

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.13 Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (Continued)

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

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

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

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

2.16 Provisions

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

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

<u>Deferred consideration payable</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Government grants

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

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

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

2.18 Financial guarantee

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

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

2.19 Borrowing costs

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

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

2.20 Employee benefits

(a) Defined contribution plans

(i) Republic of Singapore ("Singapore")

The Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme.

(ii) The People's Republic of China ("PRC")

Subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to its employees under existing PRC legislation. Pension contributions are made at rates stipulated by PRC legislation to a pension fund managed by government agencies, who are responsible for administering these amounts for the subsidiaries' employees.

(iii) Malaysia

The Malaysia subsidiary in the Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme.

(b) Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

(c) Employee share option plans

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

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

2.21 Leases

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

As lessee

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

(i) Right-of-use assets

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

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

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

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

(ii) Lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

As lessee (Continued)

(ii) Lease liabilities (Continued)

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

(iii) Short-term leases

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

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for rental income is set out in Note 2.23(d).

2.22 Non-current assets held for sale

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

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

2.23 Revenue

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

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

(a) Sale of goods

The Group sells stainless steel and other non-steel products. Revenue from the sale of goods is recognised when the goods are delivered to the customer and all performance obligations have been satisfied. Shipping services and sales of goods are determined as two separate performance obligations and are recognised at a point in time, upon the transfer of significant risks and rewards of ownership to the customers.

(b) Service income from environmental business

Service income of the Group's environmental business comprises (i) monthly meter readings and the minimum guaranteed sum from the local government on a monthly basis from the provision of wastewater treatment services, (ii) provision of consultancy services relating to environmental engineering and (iii) construction of water treatment systems ("construction contracts").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(b) Service income from environmental business (Continued)

- Revenue from the provision of wastewater treatment services is recognised at a point in time when services have been rendered.

- Revenue from the provision of consultancy services is recognised over the period of the contract with customers.

- The Group has assessed that its construction contracts qualify for overtime recognition as the waste treatment systems have no alternative use for the Group and the Group has enforceable rights to payment for performance completed to-date. The stage of completion is assessed by reference to the contract costs incurred to-date in proportion to the estimated contract costs of each contract.

(c) Construction revenue

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

(d) Rental income

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

(e) Interest income

Interest income is recognised using the effective interest method.

2.24 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(b) Deferred tax (Continued)

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they related to income taxes levied by the same taxation authority on the same taxable entity, or different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

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

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

– Receivables and payables that are stated with the amount of VAT/GST included.

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

2.25 Share capital and share issuance expenses

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

2.26 Treasury shares

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.28 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

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

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

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

The equity interest attributable to the non-controlling interests of the two subsidiaries in PRC is approximately $3,869,000 (2021: $3,844,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (Continued)

(b) Income taxes

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

(c) Determination of control and joint control

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

Investment in Ichinose Emico Valves (S) Pte Ltd

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

As at 31 December 2022, the carrying value of the investment is $363,000 (2021: $363,000).

3.2 Key sources of estimation uncertainty

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

(a) Impairment of goodwill and other intangible assets

The Group tests goodwill for impairment annually in accordance with Note 2.4(b) and whenever events or changes in circumstances indicate that goodwill may be impaired. For the purposes of assessment impairment, goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as described in Note 13 to the financial statements.

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

Other intangible assets mainly include concession rights which pertain to the Group's right to charge fees for the usage of their wastewater treatment plants in PRC as outlined in Note 2.10(b). Concession rights are included in the annual goodwill impairment test as discussed above, and have been amortised on a straight-line basis over the concession period. Details of intangible assets are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) Provision of expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. A 5% difference in the ECLs from management's estimates would result in approximately increase/decrease of $700 (2021: $12,000) in the Group's profit before tax. The information about the ECLs on the Group's trade receivables is disclosed in Note 38(a).

The carrying amount of trade receivables as at 31 December 2022 is $18,705,000 (2021: $18,166,000) [Note 21].

(c) Allowances for inventories

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

Based on management's estimate, inventories are fully provided for obsolescence if there are no sale movements within 4 years. At the end of the reporting period, an allowance for slow moving inventories of $2,025,000 (2021: $1,647,000) has been made. A 5% increase/decrease in the allowance for slow moving inventories estimated by management would result in a decrease/increase of $101,000 (2021: $82,000) in the Group's profit before tax. The carrying amount of inventories is disclosed in Note 20 of the financial statements.

(d) Impairment of investments in subsidiaries

Management has carried out a review of the recoverable amount of the investments in subsidiaries, with consideration to the existing performance of the relevant subsidiaries and the carrying values of the net assets in these subsidiaries.

Management has estimated the recoverable amount based on the higher of value-in-use and fair value less costs of disposal. The recoverable amounts of investments in subsidiaries is mainly assessed using the fair value less costs of disposal which was determined by reference to the adjusted net asset value of the subsidiaries.

The assessment has led to the reversal of allowance for impairment of investments in subsidiaries of $3,166,000 (2021: Nil) during the financial year, as the financial performance of the subsidiaries have improved.

The carrying amount of investments in subsidiaries is disclosed in Note 15 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

4. REVENUE

Disaggregation of revenue

Segments	Sale of goods		Service income from environmental business		Construction revenue[1]		Total revenue	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Primary geographical markets								
Singapore	**24,308**	18,457	**824**	898	**–**	–	**25,132**	19,355
People's Republic of China	**17,765**	35,965	**12,074**	12,152	**4,803**	7,764	**34,642**	55,881
South Korea	**565**	2,256	**–**	–	**–**	–	**565**	2,256
Malaysia and others	**27,471**	22,079	**–**	–	**–**	–	**27,471**	22,079
	70,109	78,757	**12,898**	13,050	**4,803**	7,764	**87,810**	99,571
Timing of transfer of goods or services								
At a point in time	**70,109**	78,757	**12,074**	12,152	**–**	–	**82,183**	90,909
Over time	**–**	–	**824**	898	**4,803**	7,764	**5,627**	8,662
	70,109	78,757	**12,898**	13,050	**4,803**	7,764	**87,810**	99,571

(1) Amount relating to services for the construction of assets being operated under service concession rights arrangement is further described in Note 41.

Contract liabilities

	Group	
	2022 $'000	2021 $'000
Contract liabilities (Note 26)	**1,225**	3,675

Contract liabilities relates to advances received from customers for work that has not been performed.

	2022 $'000	2021 $'000
At the beginning of the year	**3,675**	2,582
Advances received from customers during the year	**23,639**	35,310
Revenue recognised during the year	**(26,090)**	(34,210)
Exchange differences	**1**	(7)
At the end of the year	**1,225**	3,675

5. OTHER INCOME

	Note	Group	
		2022 $'000	2021 $'000
Amortisation of government grant	28	**68**	75
Gain on liquidation of subsidiary	15(d)	**–**	505
Interest income		**104**	68
Income from government subsidies	A	**1,020**	905
Management fee income charged to external parties		**197**	200
Rental income		**61**	381
Gain/(loss) on disposal of property, plant and equipment		**11**	(3)
Gain on disposal of assets classified as held for sale		**702**	94
Others		**496**	515
		2,659	2,740

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

5. OTHER INCOME (CONTINUED)

Note A

Government subsidies relate mainly to:

– Jobs support scheme ("JSS") is a temporary scheme introduced in the Singapore Budgets in 2020 which provides wage support to employers to help them retain their local employees during the period of economic uncertainty. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees;

– Grant income received from government by the subsidiaries operating wastewater plants in the People's Republic of China;

– Enterprise Singapore Grant for global ready infrastructure talent programme and global company partnership;

– Wage Credit Scheme subsidy for Singaporeans' wages increment;

– Special Employment Credit subsidy for hiring Singaporeans aged above 50.

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

		Group	
	Note	**2022**	**2021**
		$'000	**$'000**
(Write-back)/Impairment losses on:			
– Trade receivables	21	**(13)**	46
– Other receivables	21	**115**	66
		102	112

7. FINANCE COSTS

	Group	
	2022	**2021**
	$'000	**$'000**
Interest expense on:		
– Accretion of interests on deferred consideration payable	**–**	69
– Individual and related parties	**–**	53
– Bank loans and bank overdrafts	**1,055**	1,030
– Lease liabilities [Note 12(c)]	**143**	145
	1,198	1,297

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

8. PROFIT BEFORE TAX

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

	Note	Group 2022 $'000	Group 2021 $'000
Amortisation of intangible assets	14	**1,791**	1,994
Loss on disposal of intangible assets		**232**	–
Bad debts written off/(written back)		**7**	(151)
Impairment loss on property, plant and equipment	11	**120**	–
Depreciation of property, plant and equipment	11	**929**	1,394
Depreciation of right-of-use assets	12	**364**	383
Directors' fees paid to the directors of the Company		**110**	107
Employee benefits expense	A	**6,859**	6,334
Reversal of impairment loss on investment in associates	16	**–**	(15)
Net foreign exchange (gain)/loss		**(453)**	96
Rental expenses relating to short-term leases	12	**36**	6
Allowance for slow moving inventories	20	**380**	1
Write down/(reversal of write-down) of inventories to net realisable value	20	**32**	(164)
Intangible assets written off		**–**	229
Property, plant and equipment written off		**4**	105
Audit fees:			
– Paid to Auditors of the Company		**128**	144
– Paid to member firms of Company's Auditors		**87**	60
– Paid to other auditors		**–**	129

Note A – Employee benefits expense

	Group 2022 $'000	Group 2021 $'000
Employee benefit expense (including directors):		
Salaries, bonuses and other benefits	**6,292**	5,883
Defined contribution plans	**567**	451
	6,859	6,334

Presented in the consolidated income statement as:

	Group 2022 $'000	Group 2021 $'000
Cost of sales	**155**	180
Administrative expenses	**6,105**	5,372
Distribution expenses	**599**	782
	6,859	6,334

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

9. INCOME TAX EXPENSE

Major components of income tax expense

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

	Group	
	2022	**2021**
	$'000	**$'000**
Consolidated income statement		
Current taxation:		
– Current income taxation	**1,144**	816
– Under provision in respect of prior years	**13**	8
	1,157	824
Deferred taxation (Note 29):		
– Origination and reversal of temporary differences	**(81)**	(148)
Withholding tax expense	**(6)**	110
Income tax expense recognised in profit or loss	**1,070**	786

Reconciliation between tax expense and accounting profit

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

	Group	
	2022	**2021**
	$'000	**$'000**
Profit before tax	**8,417**	5,838
Tax at domestic rates applicable to profits in the countries where the Group operates(1)	**1,541**	1,181
Tax adjustments:		
Non-deductible expenses	**515**	424
Income not subject to taxation	**(180)**	(46)
Effect of partial tax exemption	**(352)**	(377)
Tax effect of share of results of associates	**(58)**	82
Deferred tax assets not recognised	**72**	391
Enhanced allowance under Productivity and Innovation Scheme	**(63)**	–
Utilisation of previously unrecognised deferred tax assets	**(242)**	(332)
Benefits from previously unrecognised tax losses	**(273)**	(557)
Under provision of income tax in respect of prior years	**13**	8
Withholding tax on foreign sourced income	**(6)**	110
Others	**103**	(98)
Income tax expense recognised in profit or loss	**1,070**	786

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

9. INCOME TAX EXPENSE (CONTINUED)

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

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

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

Other PRC entities

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

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

The applicable income tax rate for Singapore, South Korea and Malaysia incorporated companies is 17%, 10% and 24% respectively.

(c) Group relief

The loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed tax losses to another company belonging to the same group, to be deducted against the assessable income of the latter company, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

(d) Unrecognised tax losses, capital allowances and donations

At the end of the reporting period, the Group has tax losses, capital allowances and donations of approximately $8,821,000 (2021: $10,363,000), $1,114,000 (2021: $2,130,000) and $5,000 (2021: $71,000) respectively that are available for offset against future taxable profits of the entities within the Group in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances are subject to the agreement of the tax authorities and compliance with certain provision of the tax legislations of the respective countries in which the companies operate. The tax losses and capital allowances in Singapore have no expiry date.

	Group	
	2022 **$'000**	**2021** **$'000**
Unutilised tax losses, capital allowances and donations pertaining to entities incorporated in Singapore	**7,355**	8,994
Unutilised tax losses, capital allowances pertaining to a subsidiary incorporated in Malaysia*	**2,585**	3,570
	9,940	12,564

* Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendments to Section 44(F) of Income Tax Act 1967, the time limit of the carried forward unutilised tax losses has been extended to maximum of 10 consecutive years of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (ie. from year of assessments 2019 to 2028).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

10. EARNINGS PER SHARE

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

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

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

	Group	
	2022	**2021**
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share ($'000)	**5,526**	3,093
Number of shares ('000)		
Weighted average number of ordinary shares for basic earnings per share computation	**287,876**	288,115
Effect of dilution:		
– Employee share option scheme	**2,056**	
Weighted average number of ordinary shares for diluted earning per share computation	**289,932**	
Earnings per share (cents per share)		
– Basic	**1.92**	1.07
– Diluted	**1.91**	1.07

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture, renovation, fixtures and equipment $'000	Construction-in-progress $'000	Total $'000
Cost:							
At 1 January 2021	4,700	21,125	4,105	1,347	1,388	47	32,712
Additions	–	–	50	20	49	–	119
Disposals	–	–	(72)	(16)	(7)	–	(95)
Written off	–	–	(290)	(20)	–	(10)	(320)
Transfer from/(to) assets classified as held for sale (Note 24)	(4,798)	(5,287)	413	–	(176)	(38)	(9,886)
Exchange differences	98	108	42	40	28	1	317
At 31 December 2021 and 1 January 2022	–	15,946	4,248	1,371	1,282	–	22,847
Additions	–	–	41	25	38	–	104
Disposals	–	–	(117)	(2)	(2)	–	(121)
Written off	–	–	(139)	–	(10)	–	(149)
Reclassified to right-of-use assets (Note 12)	–	–	(76)	–	–	–	(76)
Exchange differences	–	–	(16)	(68)	(17)	–	(101)
At 31 December 2022	–	15,946	3,941	1,326	1,291	–	22,504
Accumulated depreciation:							
At 1 January 2021	–	4,590	2,147	1,019	1,130	–	8,886
Depreciation charge for the year	–	657	502	146	89	–	1,394
Disposals	–	–	(53)	(9)	(6)	–	(68)
Written off	–	–	(110)	(19)	–	–	(129)
Transfer from/(to) assets classified as held for sale (Note 24)	–	(836)	(135)	–	(89)	–	(1,060)
Exchange differences	–	12	8	21	23	–	64
At 31 December 2021 and 1 January 2022	–	4,423	2,359	1,158	1,147	–	9,087
Depreciation charge for the year	–	539	249	98	43	–	929
Disposals	–	–	(93)	(2)	(2)	–	(97)
Written off	–	–	(134)	–	(9)	–	(143)
Reclassified to right-of-use assets (Note 12)	–	–	(3)	–	–	–	(3)
Exchange differences	–	–	(6)	(43)	(17)	–	(66)
At 31 December 2022	–	4,962	2,372	1,211	1,162	–	9,707
Accumulated impairment loss:							
At 1 January 2021	–	–	650	–	–	–	650
Disposals	–	–	(5)	–	–	–	(5)
Written off	–	–	(86)	–	–	–	(86)
Transfer from/(to) assets classified as held for sale (Note 24)	–	–	170	–	–	–	170
Exchange differences	–	–	14	–	–	–	14
At 31 December 2021 and 1 January 2022	–	–	743	–	–	–	743
Impairment loss during the year	–	–	120	–	–	–	120
Disposals	–	–	(12)	–	–	–	(12)
Written off	–	–	(2)	–	–	–	(2)
Exchange differences	–	–	(6)	–	–	–	(6)
At 31 December 2022	–	–	843	–	–	–	843
	–	–					
Carrying amount:							
At 31 December 2021	–	11,523	1,146	213	135	–	13,017
At 31 December 2022	–	10,984	726	115	129	–	11,954

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Office equipment $**
Cost:	
At 1 January 2020, 31 December 2020 and 1 January 2021	6
Additions	9
At 31 December 2021 and 1 January 2022	**15**
Additions	**3**
At 31 December 2022	**18**
Accumulated depreciation:	
At 1 January 2020, 31 December 2020 and 1 January 2021	1
Depreciation charge for the year	2
At 31 December 2021 and 1 January 2022	**3**
Depreciation charge for the year	**4**
At 31 December 2022	**7**
Carrying amount:	
At 31 December 2021	12
At 31 December 2022	**11**

Assets held under leases

During the current financial year, the Group acquired property, plant and equipment with an aggregate cost of $104,000 (2021: $119,000), of which $Nil (2021: $36,000) was acquired by means of hire purchase. The cash outflow on acquisition of property, plant and equipment amounted to $104,000 (2021: $83,000).

Assets pledged as security

At the reporting date, the Group's buildings with a carrying amount of $10,984,000 (2021: $11,523,000) are mortgaged to secure the Group's bank loans (Note 27). In the previous financial year, these amounts included freehold land and buildings with a carrying amount totalling $9,249,000 which was transferred to assets classified as held for sale (Note 24).

Particulars of properties held by the Group as at 31 December 2022 are as follows:

Location	**Description**
52 Tuas Avenue 9, Singapore 639193	One 2-storey office building with a single storey warehouse attached and one 2-storey warehouse with mezzanine floor built on land area of 11,633 square meters

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

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

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

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

	Leasehold land $'000	Land use rights $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Group					
Cost:					
At 1 January 2021	2,856	1,244	631	95	4,826
Additions	–	76	–	–	76
Transfer from refundable deposits (Note 19)	–	421	–	–	421
Exchange differences	–	55	(2)	3	56
At 31 December 2021 and 1 January 2022	**2,856**	**1,796**	**629**	**98**	**5,379**
Additions	**142**	**–**	**–**	**253**	**395**
Reclassified from property, plant and equipment (Note 11)	**–**	**–**	**–**	**76**	**76**
Exchange differences	**–**	**(152)**	**(3)**	**(7)**	**(162)**
At 31 December 2022	**2,998**	**1,644**	**626**	**420**	**5,688**
Accumulated depreciation:					
At 1 January 2021	238	293	234	29	794
Depreciation charge for the year	119	119	119	26	383
Exchange differences	–	13	(2)	1	12
At 31 December 2021 and 1 January 2022	**357**	**425**	**351**	**56**	**1,189**
Depreciation charge for the year	**119**	**36**	**108**	**101**	**364**
Reclassified from property, plant and equipment (Note 11)	**–**	**–**	**–**	**3**	**3**
Exchange differences	**–**	**(36)**	**(2)**	**(3)**	**(41)**
At 31 December 2022	**476**	**425**	**457**	**157**	**1,515**
Carrying amount:					
At 31 December 2021	2,499	1,371	278	42	4,190
At 31 December 2022	**2,522**	**1,219**	**169**	**263**	**4,173**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities:

	Group 2022 $	Group 2021 $
Current	**324**	172
Non-current	**2,763**	2,731
	3,087	2,903

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

	2021	Cash flows	Non-cash changes				2022
			New leases	Foreign exchange movement	Accretion of interest	Others	
	$	$	$	$	$	$	$
Lease liabilities							
– current	172	(386)	391	–	143	4	**324**
– non-current	2,731	–	40	(4)	–	(4)	**2,763**

	2020	Cash flows	Non-cash changes				2021
			New leases	Foreign exchange movement	Accretion of interest	Others	
	$	$	$	$	$	$	$
Lease liabilities							
– current	158	(308)	4	–	145	173	172
– non-current	2,872	–	30	2	–	(173)	2,731

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

(c) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets (Note 8)	**364**	383
Interest expense on lease liabilities (Note 7)	**143**	145
Expense relating to short-term leases (included in administrative expenses) [Note 8]	**36**	6
Total amount recognised in profit or loss	**543**	534

(d) Total cash outflow

The Company had total cash outflows for leases of $386,000 (2021: $308,000), which included principal repayments of $243,000 (2021: $163,000) in 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

13. GOODWILL

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from that business combination. The carrying amount of the goodwill that is associated with the Group's wastewater treatment business is as follows:

	Group	
	2022 **$'000**	**2021** **$'000**
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd ("AngWei Enviro") and its subsidiaries[1]	**497**	497

(1) Comprising the wastewater treatment business of its subsidiaries, arising from the service concession rights granted by the People's Republic of China government as disclosed in Note 41 to the financial statements.

The recoverable amount of AngWei Enviro Group has been determined based on value in use calculation using cash flow projections from the financial budgets approved by management. This cash flow projections cover the remaining concession periods, useful lives of the wastewater treatment plant as well as the rights to draw water operated by the CGU, ranging from 18 – 25 years (2021: 19 – 26 years). The pre-tax discount rate applied to these cash flows is 7% (2021: 7%).

Key assumptions used in the value in use calculation

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

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

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

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

Sensitivity to changes in assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

14. INTANGIBLE ASSETS

Group	Patent rights $'000	Concession rights $'000	Technical know-how $'000	Total $'000
Cost:				
At 1 January 2021	3,732	41,827	405	45,964
Additions	–	4,866	–	4,866
Written off	–	(328)	–	(328)
Exchange differences	–	1,988	–	1,988
At 31 December 2021 and 1 January 2022	**3,732**	**48,353**	**405**	**52,490**
Additions	**–**	**3,830**	**–**	**3,830**
Disposals	**–**	**(349)**	**–**	**(349)**
Exchange differences	**–**	**(4,082)**	**(17)**	**(4,099)**
At 31 December 2022	**3,732**	**47,752**	**388**	**51,872**
Accumulated amortisation:				
At 1 January 2021	2,036	9,176	405	11,617
Amortisation charge for the year	339	1,655	–	1,994
Written off	–	(99)	–	(99)
Exchange differences	–	446	–	446
At 31 December 2021 and 1 January 2022	**2,375**	**11,178**	**405**	**13,958**
Amortisation charge for the year	**339**	**1,452**	**–**	**1,791**
Disposals	**–**	**(102)**	**–**	**(102)**
Exchange differences	**–**	**(955)**	**(17)**	**(972)**
At 31 December 2022	**2,714**	**11,573**	**388**	**14,675**
Carrying amount:				
At 31 December 2021	1,357	37,175	–	38,532
At 31 December 2022	**1,018**	**36,179**	**–**	**37,197**

Company	Patent rights $'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	3,732
Accumulated amortisation:	
At 1 January 2021	2,036
Amortisation charge for the year	339
At 31 December 2021 and 1 January 2022	**2,375**
Amortisation charge for the year	**339**
At 31 December 2022	**2,714**
Carrying amount:	
At 31 December 2021	1,357
At 31 December 2022	**1,018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

14. INTANGIBLE ASSETS (CONTINUED)

Patent rights

The patent rights relate to the rights to use the Biological Trickling Filter patent in relation to rural wastewater treatment. The rights are amortised on a straight-line basis over the remaining contractual life of 4 (2021: 5) years, until 31 March 2026.

Concession rights

The Group has service concession rights from and obligations to certain governing bodies and agencies in the People's Republic of China to construct and operate industrial wastewater treatment plants in Lijiaxiang Town, Zhicheng Town, Lincheng Town, Wushan Town and Shuanglin Town, Zhejiang Province in the People's Republic of China for pre-determined periods. These concession rights are for periods of 27 to 50 years (Note 41).

The cost of the concession rights is amortised on a straight-line basis over the concession period from the commencement of the operations of each respective plant and is charged to cost of sales in the consolidated income statement. Concession rights have an estimated remaining useful life of 18 to 36 years (2021: 19 to 37 years) at the end of the financial year.

Technical know-how

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

Cash outflow on acquisition of intangible assets

The cash outflow on the acquisition of intangible assets during the year amounted to $3,830,000 (2021: $4,866,000).

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	**2021**
	$'000	**$'000**
Unquoted equity shares, at cost	**27,731**	27,457
Due from subsidiaries (non-trade)	**6,157**	6,157
Less: Impairment losses	**(7,372)**	(10,538)
	26,516	23,076

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) *Composition of the Group*

The Group has the following investments in subsidiaries:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest 2022 %	2021 %
Held by the Company				
AnnAik & Partners (S) Pte Ltd ("AA Partners")[(1)]	Singapore	Investment holding	**100**	100
Anxon Eco Holdings Pte Ltd ("Anxon Eco")[(1)]	Singapore	Investment holding	**100**	100
Anxon Engineering Pte Ltd[(1)(5)]	Singapore	Designing, contracting and management of engineering projects	**100**	55
Anxon Environmental Pte Ltd ("Anxon Enviro")[(1)]	Singapore	Investment holding	**100**	100
Anxon Oasis Pte ltd[(1)]	Singapore	Marketing and sale of steel related products	**100**	100
Anxon Envirotech Pte Ltd[(1)]	Singapore	Investment holding	**100**	100
Ann Aik Pte Ltd[(1)]	Singapore	Marketing and sale of steel related products	**100**	100
Pioneer Environmental Technology Pte Ltd ("Pioneer")[(1)]	Singapore	Development of environmental technologies and environmental engineering	**51**	51
Shinsei Holdings Pte Ltd ("SHPL")[(1)(6)]	Singapore	Investment holding	**100**	92
Ichinose Emico Valves (S) Pte Ltd[(1)]	Singapore	Marketing and sale of steel related products	**50**	50
Metal Wang Pte Ltd ("MWPL")[(1)]	Singapore	Wholesale of metals and metal ores	**75**	75
Held through AA Partners				
AnnAik Pipes & Fittings (Shanghai) Co., Ltd ("AA Shanghai")[(2)]	People's Republic of China ("PRC")	Marketing and sale of steel related products and provision of import and export agency services	**100**	100
Held through AA Shanghai				
ZheJiang ShengTai Environmental Technology Co., Ltd.[(2)]	PRC	Development of environmental technologies and environmental engineering	**55**	55

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest 2022 %	2021 %
Held through Anxon Enviro				
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. ("Angwei Enviro")(2)	PRC	Owning and management of wastewater treatment plants	**66**	66
ChangXing AngWei Environmental & Ecological Engineering Co., Ltd. ("ChangXing AW")(2)	PRC	Owning and management of wastewater treatment plants	**66**	66
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd ("Shuanglin")(2)	PRC	Owning and management of wastewater treatment plants	**62**	62
Held through Anxon Eco				
ChangXing LinSheng Wastewater Treatment Co., Ltd ("CX LinSheng")(2)	PRC	Owning and management of wastewater treatment plant	**88**	88
Held through CX LinSheng				
ChangXing Wusheng Wastewater Treatment Co., Ltd(2)	PRC	Owning and management of wastewater treatment plant	**88**	88
ChangXing LinYi Wastewater Treatment Co., Ltd ("CXLY")(2)	PRC	Owning and management of wastewater treatment plant	**70**	70
Held by SHPL				
Shinsei Industry Sdn. Bhd ("SISB")(3)(6)	Malaysia	Production of steel flanges and related products	**100**	92
Held by AngWei Enviro				
ChangXing Lijiaxiang New Era Wastewater Treatment Co., Ltd ("LJX")(2)	PRC	Owning and management of wastewater treatment plant	**66**	66
Held by Pioneer				
Suzhou Pioneer Environmental Technology Pte Ltd(2)	PRC	Development of environmental technologies and environmental engineering	**41**	41
Held by MWPL				
Handel Co., Ltd(4)	South Korea	Wholesale of metals and metal ores	**45**	45
Held through LJX				
ChangXing Annyi Wastewater Treatment Co., Ltd ("CXAY")(2)	PRC	Owning and management of wastewater treatment plant	**66**	66
ChangXing Hengyi Wastewater Treatment Co., Ltd(2)	PRC	Owning and management of wastewater treatment plant	**66**	66

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) *Composition of the Group (Continued)*

(1) Audited by UHY Lee Seng Chan & Co, Singapore.
(2) Audited by UHY Zhonghua, Shanghai, PRC, for the purpose of inclusion of the entities' results into the Group's consolidated financial statements.
(3) Audited by UHY Chartered Accountants, Penang, Malaysia.
(4) The entity has ceased its business operations on 13 October 2022 and is in the process of winding up.
(5) The Group held an interest of 55% before acquiring the remaining 45% equity interest during the year.
(6) The Group held an interest of 92% before acquiring the remaining 8% equity interest during the year.

Significant restrictions:

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

Cash and cash equivalents of $8,879,000 (2021: $8,072,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

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

On 13 May 2022, the Company acquired the remaining 8% equity interest in Shinsei Holdings Pte Ltd ("SHPL") from its non-controlling interests for a cash consideration of $274,000.

On 21 December 2022, the Company acquired the remaining 45% equity interest in Anxon Engineering Pte Ltd ("AXENG") from its non-controlling interests for a cash consideration of $1.

Following the acquisition, SHPL and AXENG become wholly-owned subsidiaries of the Company.

In the previous financial year:

– The Company acquired an additional 15% equity interest in Metal Wang Pte Ltd ("MWPL") from its non-controlling interests for a cash consideration of $114,000.

– The Company's wholly owned subsidiary, Anxon Environmental Pte Ltd acquired an additional 6% equity interest in AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. ("Angwei Enviro") from its non-controlling interests for a cash consideration of $572,000.

(c) *Capital reduction by/injection to a subsidiary, without a change in control*

During the current financial year, a subsidiary of the Group and the non-controlling interest received $513,000 and $265,000 respectively from AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. ("Angwei Enviro"), being proceeds from capital reduction from Angwei Enviro.

In the previous financial year, a subsidiary of the Group and the non-controlling interest contributed additional capital of $911,000 and $566,000 respectively in Shuanglin (Huzhou) Wastetwater Treatment Co., Ltd ("Shuanglin").

(d) *Liquidation of subsidiary*

In the previous financial year, the Group's subsidiary, LinXing Water Supply Co, Ltd held through ChangXing LinSheng Wastewater Treatment Co., Ltd ("CX LinSheng") was liquidated. This resulted in a gain on liquidation of $505,000.

The fair value of the identifiable assets and liabilities of LinXing Water Supply Co., Ltd as at the liquidation date were:

	2021 $'000
Trade and other receivables	430
Cash and cash equivalents	1,317
	1,747
Other payables and accruals	(5)
Total identifiable net assets at carrying value	1,742

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For the financial year ended 31 December 2022

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(d) Liquidation of subsidiary (Continued)

	2021 $'000
Gain arising from liquidation	
Net assets de-recognised	(1,742)
Realisation of reserves upon winding up	700
Total consideration for 85% equity interest disposed	1,547
Gain arising from liquidation (Note 5)	505
Effect of the liquidation on cash flows	
Total consideration for equity interest disposed	1,547
Consideration paid to non-controlling interests	(251)
Less: Cash and cash equivalents of subsidiary liquidated	(1,547)
Net cash outflow on liquidation	(251)

(e) Subsidiaries with material non-controlling interests ("NCI")

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000
31 December 2022:				
Shuanglin	**PRC**	**38**	**353**	**4,241**
ChangXing AW	**PRC**	**34**	**329**	**2,683**
CXAY	**PRC**	**34**	**296**	**2,806**
LJX	**PRC**	**34**	**461**	**2,716**
31 December 2021:				
Shuanglin	PRC	38	388	4,244
ChangXing AW	PRC	34	336	2,569
CXAY	PRC	34	459	2,740
LJX	PRC	34	406	2,461

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

Summarised balance sheets

	Shuanglin		ChangXing AW	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current				
Assets	**6,668**	7,167	**3,413**	3,314
Liabilities	**(2,217)**	(871)	**(1,501)**	(1,736)
Net current assets	**4,451**	6,296	**1,912**	1,578
Non-current				
Assets	**6,737**	4,892	**8,061**	9,137
Liabilities	**(27)**	(19)	**(2,083)**	(3,159)
Net non-current assets	**6,710**	4,873	**5,978**	5,978
Net assets	**11,161**	11,169	**7,890**	7,556

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For the financial year ended 31 December 2022

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(e) *Subsidiaries with material non-controlling interests ("NCI") (Continued)*

	CXAY		LJX	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Current				
Assets	**5,163**	4,913	**4,163**	5,333
Liabilities	**(554)**	(999)	**(4,789)**	(7,550)
Net current assets/(liabilities)	**4,609**	3,914	**(626)**	(2,217)
Non-current				
Assets	**3,644**	4,144	**9,883**	10,047
Liabilities	**–**	–	**(1,269)**	(592)
Net non-current assets	**3,644**	4,144	**8,614**	9,455
Net assets	**8,253**	8,058	**7,988**	7,238

Summarised income statement and statement of comprehensive income

	Shuanglin		ChangXing AW	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Revenue	**4,983**	2,452	**2,614**	2,632
Profit before tax	**1,051**	1,204	**1,168**	1,124
Tax expense	**(121)**	(183)	**(200)**	(135)
Profit after tax, representing total comprehensive income	**930**	1,021	**968**	989

	CXAY		LJX	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Revenue	**2,035**	2,541	**3,250**	4,402
Profit before tax	**1,026**	1,416	**1,548**	1,308
Tax expense	**(154)**	(173)	**(192)**	(207)
Profit after tax, representing total comprehensive income	**872**	1,243	**1,356**	1,101

Other summarised information

	Shuanglin		ChangXing AW	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Net cash flows from operations	**652**	1,312	**1,454**	1,916
Acquisition of significant property, plant and equipment	**–**	–	**1**	3

	CXAY		LJX	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Net cash flows from operations	**1,118**	1,285	**1,004**	2,290
Acquisition of significant property, plant and equipment	**–**	22	**–**	–

(f) *Impairment testing of investments in subsidiaries*

During the financial year, management has performed an impairment test for the Company's investments in certain subsidiaries. Arising from the impairment assessment, the Company has made a reversal of impairment loss of $3,166,000 for the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

16. INVESTMENTS IN ASSOCIATES

	Group 2022 $'000	Group 2021 $'000
Shanghai Onway Environmental Development Co., Ltd Group	**10,199**	10,691
Wuhan Pioneer Environmental Technology Co., Ltd	**139**	235
	10,338	10,926

In the previous financial year, management has performed an impairment test for the Group's investment in Wuhan Pioneer Environmental Technology Co., Ltd. Arising from the impairment assessment, the Group made a reversal of impairment loss of $15,000 for the year ended 31 December 2021.

The details of the investments in associates are summarised below:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership 2022 %	Proportion of ownership 2021 %
Held through Anxon Envirotech				
Shanghai Onway Environmental Development Co., Ltd (Shanghai Onway)[1]	People's Republic of China ("PRC")	Provision of equipment in rural wastewater treatment	**25**	25
Held through Shanghai Onway				
ZheJiang XinYu Environmental Technology Pte Ltd[1]	PRC	Provision of engineering, procurement and construction ("EPC") activities in relation to wastewater treatment	**25**	25
Held through Suzhou Pioneer				
Wuhan Pioneer Environmental Technology Co., Ltd[1]	PRC	Environmental engineering services, developing environmental technologies and environmental engineering project	**30**	30

(1) Audited by UHY Zhonghua, Shanghai, PRC, for the purpose of inclusion of the entity's results into the Group's consolidated financial statements.

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

	Shanghai Onway Group 2022 $'000	Shanghai Onway Group 2021 $'000
Summarised balance sheet		
Current assets	**44,467**	46,202
Non-current assets	**23,082**	25,943
Total assets	**67,549**	72,145
Current liabilities	**7,358**	7,431
Non-current liabilities	**14,403**	16,302
Total liabilities	**21,761**	23,733
Net assets	**45,788**	48,412
Non-controlling interest of Shanghai Onway Group	**(4,991)**	(5,649)
Net assets attributable to the Group	**40,797**	42,763
Proportion of the Group's ownership	**25%**	25%
Carrying amount of the investment	**10,199**	10,691

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For the financial year ended 31 December 2022

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised income statement and statement of comprehensive income

	Shanghai Onway Group 2022 $'000	Shanghai Onway Group 2021 $'000
Revenue	**8,683**	6,515
Profit/(Loss) after tax	**1,632**	(2,069)
Other comprehensive (loss)/income	**(3,599)**	372
Total comprehensive loss	**(1,967)**	(1,697)

17. INVESTMENT SECURITIES

	Group 2022 $'000	Group 2021 $'000
Non-current		
At fair value through other comprehensive income		
– Equity securities (unquoted)	**67**	67

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Unquoted investment[1]	**–**	–	**–**	–
Series A of Atlas Fund, LLC.,[2]	**67**	67	**–**	–
	67	67	**–**	–

Investment securities comprise the following:

(1) The Company holds 17.6% equity interest in an unquoted investment which is incorporated in Singapore. The investee is engaged in property development activities in the People's Republic of China. Given the investee company is loss making and is in a significant net liability position, management has accorded a nil balance for the investment.

(2) The Company's wholly owned subsidiary, AnnAik & Partners (S) Pte Ltd subscribed to 2.85% membership interest in Series A of Atlas Fund, LLC., incorporated in Delaware, for a consideration of $67,000 [Note 39(b)].

The Group and the Company have elected to measure the equity securities at fair value through other comprehensive income due to the Group and the Company's intention to hold these equity instruments as long-term investments.

18. CLUB MEMBERSHIP

	Group and Company 2022 $'000	Group and Company 2021 $'000
Club membership, at cost (indefinite life)	**190**	190

19. REFUNDABLE DEPOSITS

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

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For the financial year ended 31 December 2022

20. INVENTORIES

	Group 2022 $'000	Group 2021 $'000
Balance sheet:		
Raw materials	**86**	86
Work-in-progress	**5**	8
Trading goods	**25,011**	25,989
At cost or net realisable value	**25,102**	26,083
Income statement:		
Inventories recognised as an expense in cost of sales	**22,549**	30,164
Inclusive of the following charge/(credit):		
– Write-down/(reversal of write-down) of inventories stated at net realisable value (Note 8)	**32**	(164)
– Allowance for slow moving inventories (Note 8)	**380**	1

Inventories are stated net of allowance for slow moving inventories of $2,025,000 (2021: $1,647,000).

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

	Group 2022 $'000	Group 2021 $'000
At beginning of the year	**1,647**	1,646
Allowance made during the year (Note 8)	**380**	14
Reversal of allowance during the year (Note 8)	**–**	(13)
Exchange differences	**(2)**	–
At the end of the year	**2,025**	1,647

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade receivables				
External parties	**19,641**	19,133	**–**	–
Less: Loss allowance provision	**(936)**	(967)	**–**	–
	18,705	18,166	**–**	–
Non-trade receivables				
Other receivables	**582**	3,254	**262**	408
Less: Loss allowance provision	**(330)**	(222)	**(262)**	(154)
	252	3,032	**–**	–
GST receivables	**635**	1,012	**–**	–
Advances to suppliers for trade purchase	**859**	1,914	**–**	–
Amounts due from related parties	**49**	48	**–**	–
Refundable deposits	**131**	137	**–**	–
	1,926	6,143	**–**	254
Total trade and other receivables	**20,631**	24,309	**–**	254

Trade receivables

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

Amounts due from related parties

At the end of the reporting period, the amounts due from related parties amounted to $49,000 (2021: $48,000) which are non-interest bearing, repayable on demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected credit losses

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

	Group	
	2022 $'000	**2021 $'000**
Movement in allowance accounts:		
At 1 January	**967**	1,202
Charge for the year (Note 6)	**–**	46
Written back (Note 6)	**(13)**	–
Liquidation of a subsidiary	**–**	(142)
Written off	**–**	(151)
Exchange differences	**(18)**	12
At 31 December	**936**	967

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

	Group		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Movement in allowance accounts:				
At 1 January	**222**	156	**154**	88
Charge for the year (Note 6)	**115**	66	**115**	66
Exchange differences	**(7)**	–	**(7)**	–
At 31 December	**330**	222	**262**	154

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

	Group		Company	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
United States dollars:				
– Trade receivables	**443**	2,123	**–**	–
– Other receivables	**269**	1,480	**–**	–
Chinese Renminbi:				
– Trade receivables	**12,507**	10,596	**–**	–
– Other receivables	**1,387**	3,606	**–**	–

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

Amounts due from subsidiaries

	Company	
	2022 $'000	**2021 $'000**
Amounts due from subsidiaries	**11,086**	**11,703**

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

Amounts due from subsidiaries (Continued)

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

	Company	
	2022 $'000	2021 $'000
United States dollars	**2,996**	3,041

Amounts due to subsidiaries and associates

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amounts due to subsidiaries	**–**	–	**465**	460
Amounts due to associates	**326**	426	**–**	–
	326	426	**465**	460

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

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash at banks and on hand	**13,992**	13,222	**305**	215
Fixed deposit	**1,010**	1,160	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**15,002**	14,382	**305**	215

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
United States dollars	**2,205**	4,082	**82**	82
Chinese Renminbi	**8,847**	8,041	**–**	–

24. ASSETS CLASSIFIED AS HELD FOR SALE

In the previous financial year, a subsidiary of the Group entered into a sales and purchase agreement with a third party to sell its freehold land, a building and certain equipment. Accordingly, these assets were classified as held for sale. The disposal was completed on 28 February 2022 and the Group received proceeds of $10,279,000 (equivalent to RM33,491,200). This resulted in a gain on disposal of $702,000.

	Group	
	2022 $'000	2021 $'000
At 1 January	**9,619**	651
Net transfer from property, plant and equipment (Note 11)	**–**	8,996
Disposals	**(9,577)**	(42)
Exchange difference	**(42)**	14
At 31 December	**–**	9,619

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

25. TRADE PAYABLES

	Group	
	2022 $'000	2021 $'000
Trade payables – third parties	**3,443**	4,812

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

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

	Group	
	2022 $'000	2021 $'000
United States dollars	**1,067**	2,617
Chinese Renminbi	**1,836**	1,911

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Non-current:				
Other payables	**34**	133	**–**	–
Current:				
Accrued expenses	**2,081**	2,615	**1,123**	968
Accrued directors' fees	**110**	107	**110**	107
Deposits from customers	**758**	3,058	**–**	–
Contract liabilities (Note 4)	**1,225**	3,675	**–**	–
GST payables	**322**	99	**9**	32
Other payables	**3,790**	3,459	**39**	7
	8,286	13,013	**1,281**	1,114
Total other payables and accruals	**8,320**	13,146	**1,281**	1,114

Included in other payables is an amount $2,121,000 (2021: $1,089,000) pertaining to construction costs payable by the Group's PRC subsidiaries to contractors, in respect of their wastewater treatment plants.

Other payables and accruals denominated in foreign currency at 31 December are as follows:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
United States dollars	**161**	1,196	**–**	–
Chinese Renminbi	**4,556**	5,962	**–**	–

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27. LOANS AND BORROWINGS

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Current:					
Bank loans:					
– Revolving SGD loan facilities	(a)	**1,500**	1,000	**–**	–
– Secured RMB term loans	(b)	**1,478**	1,080	**–**	–
– Unsecured RMB term loans	(c)	**204**	732	**–**	–
– Secured SGD term loans	(d)	**2,402**	1,902	**–**	–
– Unsecured SGD term loans	(e)	**616**	612	**616**	612
– Secured USD term loans	(f)	**–**	2,906	**–**	–
		6,200	8,232	**616**	612
Other loans and borrowings:					
Bills payables – for trade purpose		**7,139**	10,295	**–**	–
Government loans		**357**	598	**–**	–
		13,696	19,125	**616**	612
Non-current:					
Bank loans:					
– Secured RMB term loans	(b)	**4,550**	4,515	**–**	–
– Unsecured RMB term loans	(c)	**–**	313	**–**	–
– Secured SGD term loans	(d)	**9,148**	11,032	**–**	–
– Unsecured SGD term loans	(e)	**512**	758	**512**	758
– Secured USD term loans	(f)	**–**	3,367	**–**	–
		14,210	19,985	**512**	758
Total loans and borrowings		**27,906**	39,110	**1,128**	1,370

The Group has the following outstanding bank loans:

(a) Revolving SGD loan facilities of $1,500,000 (2021: $1,000,000) was secured by a corporate guarantee from the Company. The loans bear fixed interests ranging from 1.55% to 5.63% (2021: 1.55% to 1.69%) per annum.

(b) Secured RMB term loans comprising:

- Term loan of RMB563,000 or $119,000 equivalent is secured by corporate guarantee by one of the PRC subsidiaries of the Company and the Company and personal guarantees of the directors of the subsidiary company, bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in October 2018. The average effective interest rate is 6.18% (2021: 6.18%) per annum. The loan was fully repaid during the year.

- Term loan of RMB7,636,000 or $1,484,000 equivalent (2021: RMB9,090,000 or $1,929,000 equivalent) is secured by corporate guarantee by the Company, bearing interest at a floating rate of 30% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 9 instalments with the first repayment instalment commencing in August 2021. The interest rates range from 5.89% to 5.93% (2021: 6.18%) per annum.

- Term loan of RMB782,000 or $152,000 equivalent (2021: RMB927,000 or $197,000 equivalent) is secured by corporate guarantee by the Company, bearing interest at a floating rate of 30% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 8 instalments with the first repayment instalment commencing in February 2021. The interest rates range from 5.89% to 5.93% (2021: 5.98%) per annum.

- Term loan of RMB12,863,000 or $2,500,000 equivalent (2021: RMB15,790,000 or $3,350,000 equivalent) is secured by corporate guarantee by the Company and personal guarantees of certain key management personnel of the Company, bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in April 2021. The average effective interest rate is 6.18% (2021: 6.18%) per annum.

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27. LOANS AND BORROWINGS (CONTINUED)

(b) Secured RMB term loans comprising: (Continued)

- Term loan of RMB5,038,000 or $979,000 equivalent (2021: RMB1,923,000 or $409,000 equivalent) is secured by corporate guarantee by the Company, bearing interest at 1.35% above the 5-year loan prime rate. The term loan is repayable in 19 quarterly instalments with the first repayment instalment commencing in April 2022. The average effective interest rate is 5.90% (2021: 6%) per annum.

- Term loan of RMB4,700,000 or $913,000 equivalent is secured by corporate guarantee by a subsidiary company of the Company, bearing interest at 155 basis points higher of the 1 year interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 20 quarterly instalments with the first repayment instalment commencing in December 2022. The effective interest rate is 5.35% per annum.

(c) Unsecured RMB term loans comprising:

- Unsecured RMB term loan of RMB1,000,000 or $212,000 equivalent is unsecured, bears interest at 1.55% (2021: 1.55%) above the loan prime rate per annum and is repayable on 29 September 2022. The loan was fully repaid during the year.

- Unsecured RMB term loan of RMB1,000,000 or $212,000 equivalent is unsecured, bears interest at a fixed rate of 5.40% (2021: 5.40%) per annum and is repayable on 8 January 2022. The loan was fully repaid during the year.

- Unsecured RMB term loan of RMB50,000 or $10,000 equivalent is unsecured, bears interest at a fixed rate of 5.40% per annum and is repayable on 3 January 2023.

- Unsecured RMB term loan of RMB1,000,000 or $194,000 equivalent (2021: RMB1,000,000 or $212,000 equivalent) is unsecured, bears interest at 5.40% (2021: 1.55% above the loan prime rate) per annum and is repayable in January 2023 (2021: 6 January 2022).

(d) Secured SGD term loans comprising:

- Secured SGD term loans of $7,987,000 (2021: $8,797,000) undertaken by a subsidiary company to finance the expansion of its 2-storey industrial warehouse cum office at 52 Tuas Avenue 9, Singapore 639193. The loan bears floating interest at 1.50% (2021: 1.50%) per annum above bank swap rate and is repayable in equal monthly instalments over 20 years from the date of drawdown. The effective interest rate is 2.17% (2021: 1.53%) per annum. The loan is secured by legal mortgage of the properties disclosed in Note 11 and a corporate guarantee by the Company.

- Secured SGD term loan of $1,686,000 (2021: $2,276,000) is secured by corporate guarantee by the Company, bears interest at 2.25% (2021: 2.25%) per annum. The term loan is repayable in 60 monthly instalments from the date of draw down.

- Secured SGD term loans of $1,377,000 (2021: $1,861,000) is secured by corporate guarantee by the Company, bear interest rate ranging from 1.95% to 3.00% (2021: 2.25% to 3.00%) per annum. The loan is repayable in equal monthly instalments over 5 years from the date of draw down.

- Secured SGD term loans of $500,000 is secured by corporate guarantee by the Company, bears interest at a fixed rate of 4.74% per annum and is repayable on 5 April 2023.

(e) Unsecured SGD term loans comprising:

- Unsecured SGD term loan of $1,128,000 (2021: $1,370,000), which bear fixed interest rate ranging from 2.25% to 5.15% (2021: 2.25% to 3.30%) per annum. This amount is repayable from January 2023 to December 2025.

(f) Secured USD term loans comprising:

- Property loan of US$2,748,000 or $3,709,000 equivalent undertaken by a subsidiary to finance the purchase of a piece of vacant land for the construction of a factory building in Penang, Malaysia. The loan bears floating interest at 1.75% (2021: 1.75%) per annum above bank cost of funds and is repayable in 39 quarterly instalments from date of draw down and 1 final balloon instalment. The loan was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

27. LOANS AND BORROWINGS (CONTINUED)

(f) Secured USD term loans comprising: (Continued)

- Revolving loans of US$1,900,000 or $2,564,000 equivalent, which bears fixed interest ranging from 2.11% to 2.17% (2021: 2.11% to 2.84%) per annum and secured by a corporate guarantee from the Company. The loan was fully repaid during the year.

Government loans

The government loans comprise:

(a) A government loan of RMB1,000,000 or $195,000 equivalent (2021: RMB2,000,000 or $424,000 equivalent) granted to a subsidiary of the Group to finance the construction of the wastewater plant. The loan is unsecured, non-interest bearing and expected to be repaid within the next 12 months.

(b) A government loan of KRW153,100,000 or $162,000 (2021: KRW153,100,000 or $174,000) granted to a subsidiary of the Group to finance working capital. The loan is unsecured, non-interest bearing and repayable by December 2023.

Bills payables

Bills payables are repayable between 3 to 9 months from the date the bills are first issued.

During the year ended 31 December 2022, the bills payables carry interests at rates ranging from 2.96% to 7.24% (2021: 1.38% to 2.95%) per annum.

The Company provides corporate guarantees to banks in respect of the bills payables amounting to $7,139,000 (2021: $10,295,000) owing to the banks by certain subsidiaries.

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

	Group	
	2022	**2021**
	$'000	**$'000**
United States dollars	**6,800**	10,295
Chinese Renminbi	**150**	–

Undrawn committed borrowing facilities

As at 31 December 2022, the Group has available undrawn committed borrowing facilities of $57,988,000 (2021: $31,851,000).

Effective interest rates

	Effective interest rate	
	2022	**2021**
	%	**%**
Bank loans:		
- Revolving SGD loan facilities	**1.55% – 5.63%**	1.55% – 1.69%
- Secured RMB term loans	**5.35% – 6.18%**	5.98% – 6.18%
- Unsecured RMB term loans	**5.40%**	5.40% – 6.00%
- Secured SGD term loans	**2.17% – 4.74%**	1.50% – 2.75%
- Unsecured SGD term loans	**2.25% – 5.15%**	2.25% – 3.30%
- Secured USD term loans	**2.11% – 2.17%**	2.11% – 2.84%
Other loans and borrowings:		
Bills payables – for trade purpose	**2.96% – 7.24%**	1.38% – 2.95%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

27. LOANS AND BORROWINGS (CONTINUED)

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

			Non-cash changes		
	2021 $'000	Cash flows $'000	Foreign exchange movement $'000	Other $'000	2022 $'000
Bank loans					
– current	8,232	(5,093)	(152)	3,213	**6,200**
– non-current	19,985	(2,165)	(397)	(3,213)	**14,210**
Government loans					
– current	598	(194)	(47)	–	**357**
– non-current	–	–	–	–	**–**
Amounts due to associates	426	(100)	–	–	**326**

			Non-cash changes		
	2020 $'000	Cash flows $'000	Foreign exchange movement $'000	Other $'000	2021 $'000
Bank loans					
– current	6,115	(820)	335	2,602	8,232
– non-current	21,416	1,150	21	(2,602)	19,985
Government loans					
– current	405	(9)	6	196	598
– non-current	196	–	–	(196)	–
Amounts due to associates	1,284	(858)	–	–	426

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

28. DEFERRED GOVERNMENT GRANTS

These are grants received from the government of the People's Republic of China for the improvements and upgrading of the wastewater treatment plants built and operated by the Group. These grants will be recognised in the income statement on a systematic basis over respective concession periods of 27 to 50 years.

	Group	
	2022 $'000	2021 $'000
At 1 January	**1,599**	1,597
Less: Amortisation of government grant (Note 5)	**(68)**	(75)
Exchange differences	**(135)**	77
At 31 December	**1,396**	1,599

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

29. DEFERRED TAX

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

	Group			
	Balance sheet		Net change in income statement	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Undistributed earnings of associates	**(229)**	(229)	**–**	–
Unrealised profits	**(46)**	(68)	**(22)**	(103)
Fair value adjustments on acquisition of subsidiary	**(720)**	(764)		(45)
Exchange differences	**(3)**	(15)		
	(998)	(1,076)		
Deferred tax assets:				
Provisions	**62**	3	**(59)**	–
Deferred tax expense (Note 9)			**(81)**	(148)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2021: $nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $18,820,000 (2021: $14,907,000). The deferred tax liability is estimated to be approximately $941,000 (2021: $745,000).

30. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company			
	2022		2021	
	No. of ordinary shares '000	$'000	No. of ordinary shares '000	$'000
Issued and paid-up:				
At 1 January	**292,733**	**38,776**	292,733	38,776
Issuance of ordinary shares	**1,321**	**88**	–	–
At 31 December	**294,054**	**38,864**	292,733	38,776

During the current financial year, the Company issued and alloted 1,321,000 ordinary shares at $0.067 per share for an aggregate cash consideration of $88,000 arising from the exercise of options pursuant to the Employee Share Option Scheme 2013 (Note 33).

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

(b) *Treasury shares*

	Group and Company			
	2022		2021	
	No. of ordinary shares '000	$'000	No. of ordinary shares '000	$'000
At 1 January	**(5,534)**	**(568)**	(4,202)	(470)
Purchase of treasury shares	**–**	**–**	(1,332)	(98)
At 31 December	**(5,534)**	**(568)**	(5,534)	(568)

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

31. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2022	**2021**
	$'000	**$'000**
At 1 January	**2,427**	438
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(3,393)**	1,910
Liquidation of a subsidiary	**–**	(50)
Reclassification of reserve fund	**–**	129
At 31 December	**(966)**	2,427

32. STATUTORY RESERVE FUND

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

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

33. EMPLOYEE SHARE OPTION RESERVE

	Group and Company	
	2022	**2021**
	$'000	**$'000**
At 1 January	**517**	517
Exercised	**(58)**	–
Cancelled/lapsed	**(5)**	–
At 31 December	**454**	517

Equity-settled share option scheme

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

(a) Market price options

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

(b) Discounted options

Options with subscription prices which represent a discount to the market price (the "Discounted options") may be exercised two years after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director. There have been no cancellation or modification to the share option plan during the financial years ended 31 December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

33. EMPLOYEE SHARE OPTION RESERVE (CONTINUED)

(b) Discounted options (Continued)

Movement of share options during the financial year

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

	Group and Company			
	2022		2021	
	No. of share options	WAEP $	No. of share options	WAEP $
Outstanding at 1 January	**11,850,000**	**0.067**	11,850,000	0.067
Exercised (Note 30)	**(1,321,000)**	**0.067**	–	–
Forfeited	**(112,500)**	**0.067**	–	–
Outstanding at 31 December	**10,416,500**	**0.067**	11,850,000	0.067
Exercisable at 31 December	**10,416,500**	**0.067**	11,850,000	0.067

- The options outstanding at the end of the year have a weighted average remaining contractual life of 0.79 years (2021: 1.79 years).
- The exercise price for options outstanding at the end of the year was $0.067 (2021: $0.067).
- There are no share-based payment expense recognised during the financial year ended 31 December 2022 and 2021.

34. DIVIDENDS

	Group and Company	
	2022 $'000	2021 $'000
Declared and paid during the year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2021: 0.7 (2020: 0.1) cent per share	**2,010**	289
Proposed but not recognised as liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at AGM		
– Final exempt (one-tier) dividend for 2022: 0.4 (2021: 0.7) cent per share	**1,154**	2,010

35. RELATED PARTY TRANSACTIONS

(a) Sales and purchases of goods and services

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

	Group	
	2022 $'000	2021 $'000
Sales of goods to a related party	**(2)**	(1)
Purchase of goods from a related party	**435**	366

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of directors and key management personnel

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

	Group	
	2022	**2021**
	$'000	**$'000**
Salaries, bonuses and benefits	**3,200**	2,798
Central Provident Fund contributions	**137**	123
Directors' fees	**109**	107
	3,446	3,028
Comprise amounts paid to:		
– Directors of the Company	**1,986**	1,672
– Other key management personnel	**1,460**	1,356
	3,446	3,028

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

<u>Directors' interests in employee share option</u>

At the end of the reporting period, the total number of outstanding share options granted by the Company to the above-mentioned directors under the share option plan amounted to 3,476,000 (2021: 3,476,000).

36. CORPORATE GUARANTEE – COMPANY LEVEL

The Company has issued corporate guarantees to several financial institutions for borrowings granted to certain subsidiaries for $81,270,000 (2021: $64,918,000), of which $25,304,000 (2021: $36,097,000) were utilised at the end of the reporting period.

Based on information currently available, the Company does not expect any liabilities to arise from the guarantees.

37. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. SEGMENT INFORMATION (CONTINUED)

(a) *Business segments*

	Distribution		Manufacturing of steel flanges		Environmental Business		Elimination		Note	Consolidation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000		2022 $'000	2021 $'000
Revenue											
External revenue (steel products)	**48,752**	40,518	**–**	–	**–**	–	**–**	–		**48,752**	40,518
External revenue (non-steel products)	**15,011**	35,921	**–**	–	**3,241**	–	**–**	–		**18,252**	35,921
External revenue	**–**	–	**3,021**	2,284	**18,048**	21,164	**(263)**	(316)		**20,806**	23,132
Inter-segment revenue	**219**	226	**4,069**	3,944	**1,618**	1,981	**(5,906)**	(6,151)	A	**–**	–
Total revenue	**63,982**	76,665	**7,090**	6,228	**22,907**	23,145	**(6,169)**	(6,467)		**87,810**	99,571
Result											
Segment results	**2,245**	328	**807**	431	**6,288**	7,476	**(66)**	(1,095)	B	**9,274**	7,140
Dividend income	**4,261**	–	**–**	–	**–**	2,184	**(4,261)**	(2,184)	C	**–**	–
Impairment losses on financial assets	**(118)**	(71)	**(38)**	–	**54**	(41)	**–**	–		**(102)**	(112)
Reversal of Impairment losses on non-financial assets	**3,166**	–	**681**	–	**–**	–	**(3,847)**	–	D	**–**	–
Share of profits/(losses) of associates	**–**	–	**–**	–	**339**	(481)	**–**	–		**339**	(481)
Reversal of impairment loss on investment in an associate	**–**	–	**–**	–	**–**	15	**–**	–		**–**	15
Gain on liquidation of subsidiary	**–**	505	**–**	–	**–**	–	**–**	–		**–**	505
Interest income										**104**	68
Finance costs										**(1,198)**	(1,297)
Profit before tax										**8,417**	5,838
Income tax										**(1,070)**	(786)
Profit for the year										**7,347**	5,052

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. SEGMENT INFORMATION (CONTINUED)

(a) *Business segments (Continued)*

	Distribution		Manufacturing of steel flanges		Environmental business		Consolidation	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Assets								
Segment assets	**46,901**	54,266	**5,437**	14,637	**63,142**	62,669	**115,480**	131,572
Investment in associates	**–**	–	**–**	–	**10,338**	10,926	**10,338**	10,926
Consolidated total assets							**125,818**	142,498
Liabilities								
Segment liabilities	**13,151**	19,387	**1,381**	3,818	**11,493**	11,652	**26,025**	34,857
Bank loans and government loans	**14,341**	15,478	**–**	6,272	**6,426**	7,065	**20,767**	28,815
Consolidated total liabilities							**46,792**	63,672
Other information								
Depreciation and amortisation	**1,299**	1,323	**187**	536	**1,598**	1,912	**3,084**	3,771
Capital expenditure	**236**	68	**272**	10	**3,821**	4,983	**4,329**	5,061
Other non-cash items	**325**	(37)	**(379)**	(12)	**(355)**	187	**(409)**	138

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

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

A Inter-segment revenues are eliminated on consolidation.

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

	2022 $'000	2021 $'000
Profit from inter-segment sales	**(206)**	(329)
Unallocated corporate income/(expenses)	**140**	(766)
	(66)	(1,095)

C Inter-segment dividend income are eliminated on consolidation.

D Impairment in subsidiaries are eliminated on consolidation.

(b) Geographical information

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

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

	Group	
	2022 $'000	2021 $'000
By geographical markets:		
Singapore	**25,132**	19,355
Malaysia	**5,157**	4,621
PRC	**34,642**	55,881
India	**17,373**	11,174
South Korea	**565**	2,256
Others[1]	**4,941**	6,284
	87,810	99,571

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

37. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

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

	Non-current assets	
	2022	**2021**
	$'000	**$'000**
Singapore	**15,230**	17,415
Malaysia	**737**	791
Korea	**3**	3
PRC	**48,959**	49,706
	64,929	67,915

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

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

– Internal credit rating

– External credit rating

– Actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation

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

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

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

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

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

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2022 and 31 December 2021 is determined as shown in the table below. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Trade receivables (Continued)

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

Singapore:

31 December 2022	**Current $'000**	**Less than 30 days $'000**	**30 to 60 days $'000**	**61 to 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	**3,098**	**1,630**	**321**	**150**	**1,507**	**6,706**
Loss allowance provision	**–**	**–**	**–**	**–**	**769**	**769**

31 December 2021	**Current $'000**	**Less than 30 days $'000**	**30 to 60 days $'000**	**61 to 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	2,709	2,767	741	334	1,435	7,986
Loss allowance provision	–	–	–	–	768	768

Other geographical areas:

31 December 2022	**Current $'000**	**Less than 30 days $'000**	**30 to 60 days $'000**	**61 to 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	**10,381**	**506**	**272**	**207**	**1,569**	**12,935**
Loss allowance provision	**7**	**17**	**31**	**23**	**89**	**167**

31 December 2021	**Current $'000**	**Less than 30 days $'000**	**30 to 60 days $'000**	**61 to 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Gross carrying amount	8,935	520	357	284	1,051	11,147
Loss allowance provision	55	22	11	11	100	199

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

Concentration risk

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk is limited due to the customer base being large and unrelated. The credit risk on liquid funds is limited because the Group places its cash with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Trade receivables (Continued)

Exposure to credit risk

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

The maximum amount that the Company could be forced to settle under corporate guarantee contracts to the banks in respect of facilities extended to its subsidiaries is $25,304,000 (2021: $36,097,000) (Note 36).

Credit risk concentration profile

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

	2022		**2021**	
	$'000	**% of total**	**$'000**	**% of total**
By country:				
Singapore	**5,937**	**32%**	7,218	40%
Malaysia	**261**	**1%**	351	2%
People's Republic of China	**12,507**	**67%**	10,597	58%
	18,705	**100%**	18,166	100%

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

Other receivables and amount due from subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	2022			
	1 year or less $'000	**1 to 5 years $'000**	**After 5 years $'000**	**Total $'000**
Group				
Financial assets:				
Trade and other receivables[1]	**19,137**	**–**	**–**	**19,137**
Refundable deposits	**–**	**–**	**451**	**451**
Cash and cash equivalents	**15,002**	**–**	**–**	**15,002**
Total undiscounted financial assets	**34,139**	**–**	**451**	**34,590**
Financial liabilities:				
Trade and other payables and accruals[2]	**9,424**	**34**	**–**	**9,458**
Lease liabilities	**461**	**953**	**3,294**	**4,708**
Amounts due to associates	**326**	**–**	**–**	**326**
Loans and borrowings	**14,355**	**11,807**	**4,406**	**30,568**
Total undiscounted financial liabilities	**24,566**	**12,794**	**7,700**	**45,060**
Total net undiscounted financial assets/(liabilities)	**9,573**	**(12,794)**	**(7,249)**	**(10,470)**

	2021			
	1 year or less $'000	**1 to 5 years $'000**	**After 5 years $'000**	**Total $'000**
Group				
Financial assets:				
Trade and other receivables[1]	21,383	–	–	21,383
Refundable deposits	–	–	493	493
Cash and cash equivalents	14,382	–	–	14,382
Total undiscounted financial assets	35,765	–	493	36,258
Financial liabilities:				
Trade and other payables and accruals[2]	10,993	133	–	11,126
Lease liabilities	309	964	3,237	4,510
Amounts due to associates	426	–	–	426
Loans and borrowings	19,630	16,430	5,013	41,073
Total undiscounted financial liabilities	31,358	17,527	8,250	57,135
Total net undiscounted financial assets/(liabilities)	4,407	(17,527)	(7,757)	(20,877)

(1) Exclude GST receivables and advances to suppliers.
(2) Exclude GST payables, deposits from customers and contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2022 1 year or less $'000	2022 More than 1 year $'000	2022 Total $'000
Company			
Financial assets:			
Amounts due from subsidiaries	**11,086**	**–**	**11,086**
Cash and cash equivalents	**305**	**–**	**305**
Total undiscounted financial assets	**11,391**	**–**	**11,391**
Financial liabilities:			
Other payables and accruals[1]	**1,272**	**–**	**1,272**
Amounts due to subsidiaries	**465**	**–**	**465**
Loans and borrowings	**641**	**523**	**1,164**
Total undiscounted financial liabilities	**2,378**	**523**	**2,901**
Total net undiscounted financial assets/(liabilities)	**9,013**	**(523)**	**8,490**

	2021 1 year or less $'000	2021 More than 1 year $'000	2021 Total $'000
Company			
Financial assets:			
Trade and other receivables	254	–	254
Amounts due from subsidiaries	11,703	–	11,703
Cash and cash equivalents	215	–	215
Total undiscounted financial assets	12,172	–	12,172
Financial liabilities:			
Other payables and accruals[1]	1,082	–	1,082
Amounts due to subsidiaries	460	–	460
Loans and borrowings	625	776	1,401
Total undiscounted financial liabilities	2,167	776	2,943
Total net undiscounted financial assets/(liabilities)	10,005	(776)	9,229

(1) Exclude GST payables

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk (Continued)*

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

	2022				2021			
	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Company								
Financial guarantees (Note 36)	**12,364**	**9,003**	**3,937**	**25,304**	17,183	14,167	4,747	36,097

(c) *Foreign currency risk*

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

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

Sensitivity analysis for foreign currency risk

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

	2022 (Decrease)/ increase in profit net of tax $'000	2021 (Decrease)/ increase in profit net of tax $'000
Group		
USD/SGD – strengthened 1% (2021: 2%)	**(42)**	(211)
– weakened 1% (2021: 2%)	**42**	211
RMB/SGD – strengthened 8% (2021: 5%)	**649**	303
– weakened 8% (2021: 5%)	**(649)**	(303)

(d) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2021: less than 6 months) from the end of the reporting period. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 200 (2021: 20) basis points higher/lower with all other variables held constant, the Group's profit before tax would have been $420,000 (2021: $58,000) lower/higher, arising mainly as a result of higher/lower interest expense on loans and borrowings and government loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as compared to prior years.

39. FAIR VALUES OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

(b) Assets measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Significant unobservable inputs (Level 3) $'000	Total $'000
2022 and 2021		
Group		
Financial assets at FVOCI (Note 17)		
– Unquoted equity securities	**67**	67

The investment securities were acquired in financial year 2021 for a consideration of $67,000. The directors are of the view that the purchase cost based on willing buyer – willing seller basis approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

39. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

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

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

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2022				
Group				
Liabilities:				
Government loans (Note 27)	**–**	**–**	**325**	**325**
Financial liabilities as at 31 December 2022	**–**	**–**	**325**	**325**
2021				
Group				
Liabilities:				
Government loans (Note 27)	–	–	577	577
Financial liabilities as at 31 December 2021	–	–	577	577

	Group			
	2022		2021	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Assets:				
Refundable deposits (Note 19)	**451**	**#**	493	#
Liabilities:				
Government loans (Note 27)	**357**	**325^^**	598	577^^

Refundable deposits

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

^^ Government loans

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group	Note	Assets at amortised cost $'000	Liabilities at amortised cost $'000	Total $'000
2022				
Assets:				
Refundable deposits	19	**451**	**–**	**451**
Trade and other receivables[1]	21	**19,137**	**–**	**19,137**
Cash and cash equivalents	23	**15,002**	**–**	**15,002**
Total		**34,590**	**–**	**34,590**
Liabilities:				
Trade payables	25	**–**	**3,443**	**3,443**
Other payables and accruals[2]	26	**–**	**6,015**	**6,015**
Amounts due to associates	22	**–**	**326**	**326**
Loans and borrowings	27	**–**	**27,906**	**27,906**
Lease liabilities	12	**–**	**3,087**	**3,087**
Total		**–**	**40,777**	**40,777**
2021				
Assets:				
Refundable deposits	19	493	–	493
Trade and other receivables[1]	21	21,383	–	21,383
Cash and cash equivalents	23	14,382	–	14,382
Total		36,258	–	36,258
Liabilities:				
Trade payables	25	–	4,812	4,812
Other payables and accruals[2]	26	–	6,314	6,314
Amounts due to associates	22	–	426	426
Loans and borrowings	27	–	39,110	39,110
Lease liabilities	12	–	2,903	2,903
Total		–	53,565	53,565

(1) Exclude GST receivables and advances to suppliers.
(2) Exclude GST payables, deposits and advances from customers and contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company	Note	Assets at amortised cost $'000	Liabilities at amortised cost $'000	Total $'000
2022				
Assets:				
Trade and other receivables	21	**–**	**–**	**–**
Amounts due from subsidiaries	22	**11,086**	**–**	**11,086**
Cash and cash equivalents	23	**305**	**–**	**305**
Total		**11,391**	**–**	**11,391**
Liabilities:				
Amounts due to subsidiaries	22	**–**	**465**	**465**
Other payables and accruals[1]	26	**–**	**1,272**	**1,272**
Loans and borrowings	27	**–**	**1,128**	**1,128**
Total		**–**	**2,865**	**2,865**
2021				
Assets:				
Trade and other receivables	21	254	–	254
Amounts due from subsidiaries	22	11,703	–	11,703
Cash and cash equivalents	23	215	–	215
Total		12,172	–	12,172
Liabilities:				
Amounts due to subsidiaries	22	–	460	460
Other payables and accruals[1]	26	–	1,082	1,082
Loans and borrowings	27	–	1,370	1,370
Total		–	2,912	2,912

(1) Exclude GST payables.

41. SERVICE CONCESSION ARRANGEMENTS

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

Group	Construction revenue $'000	Operating income of wastewater treatment plants $'000	Total service concession revenue $'000
For financial year ended 31 December 2022	**3,854**	**12,074**	**15,928**
For financial year ended 31 December 2021	4,582	12,152	16,734

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

The details of service concession arrangements are as follows:

Name of subsidiary	Plant type	Type and period of concession
ChangXing AW	Wastewater treatment plant	Build-Operate-Transfer ("BOT"), 30 years
LJX	Wastewater treatment plant	BOT, 30 years
CX Annyi	Wastewater treatment plant	BOT, 30 years
CX Hengyi	Wastewater treatment plant	BOT, 30 years
Shuanglin	Wastewater treatment plant	BOT, 27 years
CX Linyi	Wastewater treatment plant	Build-Operate-Own ("BOO"), 30 years
CX LinSheng	Wastewater treatment plant	BOO, 50 years
CX WuSheng	Wastewater treatment plant	BOO, 50 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

41. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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

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

42. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt which includes borrowings as disclosed in Note 27 and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 30 to 33.

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

The Group's overall strategy for 2022 has remained unchanged from 2021.

As discussed in Note 32, subsidiaries of the Group that are incorporated in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2022, the Group's total liabilities and total equity are $46,792,000 (2021: $63,672,000) and $79,026,000 (2021: $78,826,000) respectively. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2022, the Group's gearing ratio was 0.59 (2021: 0.81).

43. COMPARATIVES

During the financial year, the Group modified the classification of certain line items in the prior year's consolidated financial statements to be consistent with the current year's presentation. The effects of the reclassification are as follows:

	2021 As previously reported $'000	Reclassification $'000	2021 As represented $'000
Consolidated cash flow statement			
Net cash flows from operating activities	5,612	69	5,681
Net cash flows used in investing activities	(5,354)	76	(5,278)
Net cash flows used in financing activities	(1,366)	(145)	(1,511)

44. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 30 March 2023.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2023

SHAREHOLDERS' INFORMATION

Number of Equity Securities	:	**288,520,274***
Class of Equity Securities	:	**Ordinary shares**
Voting Rights	:	**One vote per share**

* Excluding non-voting 5,533,700 treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.95	445	0.00
100 – 1,000	36	3.13	24,300	0.01
1,001 – 10,000	313	27.17	2,104,600	0.73
10,001 – 1,000,000	760	65.97	64,975,436	22.52
1,000,001 AND ABOVE	31	2.78	221,415,493	76.74
TOTAL	**1,151**	**100.00**	**288,520,274**	**100.00**

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Indirect Interest	%
Ow Chin Seng(1)	96,174,197	33.33	18,606,455	6.45
Low Kheng(1)	18,606,455	6.45	96,174,197	33.33
Lian Lay Kheng(2)	6,516,900	2.26	11,815,950	4.10
Low Sim Yam(2)	11,815,950	4.10	6,516,900	2.26

(1) Ow Chin Seng and Low Kheng are husband and wife.
(2) Lian Lay Kheng and Low Sim Yam are husband and wife.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	99,344,650	34.43
2	LOW KHENG	18,606,455	6.45
3	LOW SIM YAM	11,815,950	4.10
4	MAYBANK SECURITIES PTE. LTD.	9,814,350	3.40
5	OW CHIN SENG	8,674,197	3.01
6	PHILLIP SECURITIES PTE LTD	7,987,550	2.77
7	LIM CHIN KEONG	6,752,175	2.34
8	LIAN LAY KHENG	6,516,900	2.26
9	DBS NOMINEES (PRIVATE) LIMITED	4,834,900	1.68
10	HONG LEONG FINANCE NOMINEES PTE LTD	4,641,100	1.61
11	EST OF LEE TECK LEONG, DECEASED	4,376,000	1.52
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,233,400	1.47
13	CHEW KIT LENG	3,330,646	1.15
14	EE KIM CHUAN @ YEE KIM CHUAN	2,786,500	0.97
15	EVE PHUA SIN YEE (PAN XINYI)	2,664,000	0.92
16	KWEK GEOK YONG	2,417,000	0.84
17	ANG MONG SENG	2,080,000	0.72
18	KWA CHING TZE	2,000,000	0.69
19	OW JIA YIN CLARA	2,000,000	0.69
20	NG THENG LOCK	1,962,309	0.68
	TOTAL	**206,838,082**	**71.70**

STATISTICS OF SHAREHOLDINGS

As at 16 March 2023

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 48.21% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

TREASURY SHARES

Total number of ordinary shares held in Treasury	:	5,533,700
Voting rights	:	None
Percentage of this shareholding against total number of issued shares excluding Treasury Shares	:	1.92%

Company has nil subsidiary holdings as at 31 December 2022 (31 December 2021: nil).

STATISTICS OF WARRANTHOLDINGS

As at 16 March 2023

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	10	8.00	6,911	0.02
1,001 – 10,000	46	36.80	221,200	0.50
10,001 – 1,000,000	61	48.80	7,229,568	16.52
1,000,001 AND ABOVE	8	6.40	36,302,295	82.96
TOTAL	**125**	**100.00**	**43,759,974**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	17,632,250	40.29
2	LOW KHENG	6,068,731	13.87
3	MAYBANK SECURITIES PTE. LTD.	3,989,850	9.12
4	LOW SIM YAM	2,938,650	6.72
5	LIAN LAY KHENG	2,172,300	4.96
6	LEE TAT KWONG (LI DAGUANG)	1,262,525	2.89
7	PHILLIP SECURITIES PTE LTD	1,147,250	2.62
8	OW CHIN SENG	1,090,739	2.49
9	SEOW ZI-HUA	915,500	2.09
10	NG KIM KEANG	770,000	1.76
11	DBS NOMINEES (PRIVATE) LIMITED	566,000	1.29
12	EE KIM CHUAN @ YEE KIM CHUAN	557,300	1.27
13	GOH GUAN SIONG (WU YUANXIANG)	507,100	1.16
14	LIM CHIN KEONG	355,875	0.81
15	LIAN BEE METAL PTE LTD	302,675	0.69
16	KHOO SWEE KWANG	300,000	0.69
17	PEH CHOON CHIEH (BAI JUNJIE)	183,591	0.42
18	CHEE YEOK YIN	174,100	0.40
19	LIM LU SUAN	142,500	0.33
20	GOH PENG TONG	133,000	0.30
	TOTAL	**41,209,936**	**94.17**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AnnAik Limited (the "**Company**") will be held at 52 Tuas Avenue 9, Singapore 639193 on 27 April 2023 at 1.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2022 together with the Auditors' Report thereon.

   (Resolution 1)

2. To declare first and final dividend (tax exempt one-tier) of 0.40 Singapore cent per ordinary share for the financial year ended 31 December 2022.

   (Resolution 2)

3. To re-elect the following Directors of the Company who are retiring pursuant to Regulation 121 of the Constitution of the Company:

   (i) Mr Ng Kim Keang **(Resolution 3)**

   (ii) Mr Gan Thiam Poh **(Resolution 4)**

   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$109,700 for the financial year ended 31 December 2022. (FY2021: S$107,450)

   (Resolution 5)

5. To re-appoint Messrs UHY Lee Seng Chan & Co as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 6)

6. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **General mandate to issue new shares**

   That pursuant to Section 161 of the Companies Act 1967 (the "**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   (the "**Share Issue Mandate**")

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with 7(2)(a) or 7(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law and the Catalist Rules to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 7)

[See Explanatory Note (ii)]

8. **Authority to allot and issue new ordinary shares pursuant to the AnnAik Limited Scrip Dividend Scheme**

That pursuant to Section 161 of the Companies Act 1967 and the Catalist Rules of the SGX-ST, the Directors of the Company be authorised and empowered to:

(a) allot and issue such number of new ordinary shares in the capital of the Company as may be required to be allotted and issued pursuant to the application of the AnnAik Limited Scrip Dividend Scheme; and/or

(b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, allot and issue such number of new ordinary shares in the capital of the Company pursuant to the application of the AnnAik Limited Scrip Dividend Scheme to any dividend which was approved while the authority conferred by this Resolution was in office;

provided that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 8)

[See Explanatory Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to grant options and issue shares under the AnnAik Employee Share Option Scheme 2013**

That pursuant to Section 161 of the Companies Act 1967, the Directors of the Company be authorised and empowered to offer and grant options under the AnnAik Employee Share Option Scheme 2013 (the "**Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 9)

[See Explanatory Note (iv)]

10. **Renewal of Share Buy-Back Mandate**

That approval be and is hereby given:

(a) for the purposes of Sections 76C and 76E of the Companies Act 1967 and the Catalist Rules of the SGX-ST, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or

(ii) off-market purchases ("**Off-Market Purchases**") effected pursuant to any equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act 1967,

and otherwise be in accordance with all other laws, the Catalist Rules of the SGX-ST and other regulations and rules of the SGX-ST,

(the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in a general meeting, or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; and

(c) the Directors of the Company and/or any of them be and is hereby authorised to do such acts and things (including, without limitation, enter into all transactions, arrangements and agreements and executing such documents) as they and/or he may consider necessary or expedient to give effect to this Resolution.

In this Resolution:

"**Maximum Limit**" means that number of Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period (as defined below), effected a reduction of its share capital in accordance with the applicable provisions under the Companies Act 1967, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction. Any of the Shares held by the Company as treasury shares shall be disregarded for purposes of computing the 10% limit;

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the price paid per Share which does not exceed 105% of the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant 5-day period.

The Maximum Price shall apply to both Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses; and

"**Relevant Period**" means the period commencing from the date on which the Annual General Meeting of the Company at which this Resolution is passed is held and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier, after the date of the passing of this Resolution.

(Resolution 10)

[See Explanatory Note (v)]

By Order of the Board

Siau Kuei Lian
Company Secretary

Singapore
11 April 2023

Explanatory Notes:

(i) Mr Ng Kim Keang will, upon re-election as a Director of the Company, remain as Executive Director and Chief Operating Officer and will be considered non-independent. Please refer to Table A of the Corporate Governance Report on page 49 to page 50 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST.

Mr Gan Thiam Poh will, upon re-election as a Director of the Company, remain as Independent Director, Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit Committee and will be considered independent pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 49 to page 50 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST.

(ii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue new ordinary shares in the Company pursuant to the AnnAik Limited Scrip Dividend Scheme (as approved by shareholders in Extraordinary General Meeting dated 30 April 2018) to shareholders who, in respect of a qualifying dividend, elect to receive scrip in lieu of part or all of the cash amount of that qualifying dividend.

(iv) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or the date which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options under the Scheme and to allot and issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time.

(v) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or the date which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to repurchase Shares by way of Market Purchases and/or Off-Market Purchases of up to 10% of the total number of Shares (excluding treasury shares and subsidiary holdings) at the Maximum Price (as defined in Resolution 10). Information relating to this proposed Resolution is set out in the Appendix dated 11 April 2023 (in relation to the Renewal of Share Buy-Back Mandate).

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Printed copies of this Notice of AGM and appendix to this Notice of AGM — Appendix, the Proxy Form and the Annual Report FY2022 will not be sent to members. Instead, these documents will be published on the Company's website at the URL www.annaik.com and on the SGX website at the URL http://www.sgx.com/securities/company-announcements.

2. A Member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 by mail or email to kkng@annaik.com and cheeseng@annaik.com not less than seventy-two (72) hours before the time appointed for holding the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

7. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the proxy at least seven (7) working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

SHAREHOLDERS' QUERIES AND ANSWERS

Shareholders may submit any questions that are related to any resolutions to be tabled for approval at the AGM, Shareholders may send their queries in advance, before 1.00 p.m. on 18 April 2023, via email to our Investor Relations team at kkng@annaik.com and cheeseng@annaik.com.

The Company will endeavour to upload the Company's responses to substantial queries from Shareholders on the SGXNet and Company's website by 21 April 2023.

NOTICE OF RECORD AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of AnnAik Limited (the "**Company**") will be closed on **9 May 2023 at 5.00 p.m.** for the purpose of determining the entitlements to the proposed first and final dividend (tax exempt one-tier) of 0.40 Singapore cent per ordinary share to be proposed at the Annual General Meeting ("**AGM**") of the Company to be held on 27 April 2023.

Duly completed registrable transfers received by the Company's Share Registrar, In.Corp Corporate Services Pte. Ltd. of 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, up to 5.00 p.m. on **9 May 2023** (the "**Record Date**") will be registered to determine members' entitlements to the said dividend.

Members whose Securities Account with The Central Depository (Pte) Limited are credited with shares up to 5.00 p.m. on the Record Date will be entitled to the proposed dividend.

The proposed payment of the dividend, if approved by the members at the AGM to be held on 27 April 2023, will be made on 17 May 2023.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

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

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ANNAIK LIMITED
(Company Registration No. 197702066M)
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the proxy, at least seven (7) working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ______________________ (NRIC/Passport No.)
of ____ (Address)
being a member/members of AnnAik Limited (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her/them, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 52 Tuas Avenue 9, Singapore 639193 on 27 April 2023 at 1.00 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for, against or to abstain from voting on the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote for, against or abstain from voting at his/her discretion. In appointing the Chairman of the Meeting as proxy, Shareholders (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***	**No. of votes 'Abstain'***
Ordinary Business				
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022			
2	Declaration of first and final dividend for the financial year ended 31 December 2022			
3	Re-election of Mr Ng Kim Keang as a Director of the Company			
4	Re-election of Mr Gan Thiam Poh as a Director of the Company			
5	Approval of Directors' fees amounting to S$109,700 for the financial year ended 31 December 2022			
6	Re-appointment of Messrs UHY Lee Seng Chan & Co as Auditors and to authorise the Directors of the Company to fix their remuneration			
Special Business				
7	General mandate to issue new shares			
8	Authority to allot and issue new ordinary shares pursuant to AnnAik Limited Scrip Dividend Scheme			
9	Authority to grant options and issue shares under the AnnAik Employee Share Option Scheme 2013			
10	Renewal of Share Buy-Back Mandate			

* *If you wish to exercise all your votes 'For', 'Against' or to 'Abstain' from voting, please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.*

Dated this ____________ day of ________________ 2023

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

____
Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 by mail or email to kkng@annaik.com and cheeseng@annaik.com not less than seventy-two (72) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the proxy at least seven (7) working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2023.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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CORPORATE DIRECTORY

Board of Directors

Mr Ow Chin Seng, PBM
Executive Chairman cum CEO

Mr Ow Eei Phurn Benedict
Executive Director cum Sales Director

Mr Ng Kim Keang
Executive Director cum COO

Mr Lim Geok Peng
Lead Independent Director

Ms Tan Poh Hong
Mr Gan Thiam Poh
Independent Directors

Corporate Information

Audit Committee
Mr Lim Geok Peng
Chairman and Lead Independent Director
Mr Gan Thiam Poh
Ms Tan Poh Hong

Nominating Committee
Mr Gan Thiam Poh
Chairman
Mr Lim Geok Peng
Ms Tan Poh Hong
Mr Ow Chin Seng, PBM

Remuneration Committee
Ms Tan Poh Hong
Chairman
Mr Gan Thiam Poh
Mr Lim Geok Peng

Management Team

Distribution Division
Mdm Low Kheng
Director of a subsidiary
– Singapore

Mr Ow Eei Meng Benjamin
Group Deputy CEO

Mr Tay Chee Seng
Group Finance Director
– Singapore

Mr Terence Sim Soo Yong
General Manager of a subsidiary
– Singapore

Manufacturing Division
Mr Lim Khan Choon
General Manager
– Malaysia

Environmental Technology &
Engineering Division
Dr Qiu Jiangping
Group President
– Environmental Business
– China

Dr Yang Guo Ying
Technical Director of a subsidiary
– Singapore
Dr Wang Jin
General Manager
– Environmental Business
– China

Company Secretary

Ms Siau Kuei Lian

Registered Office

52 Tuas Avenue 9
Singapore 639193
Tel: 65 6210 2727, 6210 2726
Fax: 65 6861 5705, 6861 6919
Email: sales@annaik.com

Share Registrar

In.Corp Corporate Services Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712
Tel: 65 6812 1611
Fax: 65 6812 1601

Principal Bankers

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Ltd
12 Marina Boulevard #43-03
Marina Bay Financial Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#06-00, OCBC Centre East
Singapore 049514

Sponsor

Hong Leong Finance Limited
16 Raffles Quay, #01-05
Hong Leong Building
Singapore 048581

Public Accountants and Auditors

UHY Lee Seng Chan & Co.
Public Accountants and Chartered Accountants
(Partner: Mr Lee Sen Choon)
Date of appointment:
Effective from financial year
ended 31 December 2022
Number of years in-charge: 1 year
6001 Beach Road, #14-01
Golden Mile Tower
Singapore 199589

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(Company Registration No. 197702066M)
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