



Making Changes  
**TRANSFORMING**

ANNUAL REPORT 2020

## Our Mission

Advancing innovations  
in engineering science.



## Our Vision

To be the most  
advanced organisation  
in engineering science.

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# ABOUT US

## Corporate Values



### Adherence

To Advanced's Ethical Principles



### Care

For Our Stakeholders, The Community, The Environment And Respect For The Rights, Differences And Dignity Of Others



### Excellence

Is A Virtue We Fully Commit To All Stakeholders

## Value Proposition

Innovative Engineering Technologies & Solutions

### Organic Growth

- ▶ Pursue high value contracts in key industries & markets
- ▶ Extend geographical footprint
- ▶ Strengthen & integrate our Sales & Engineering teams

### Strategic Technologies & Products

- ▶ Build strategic alliances with global leaders in process technologies & equipment
- ▶ Broaden related businesses, products & services
- ▶ Enhance environmental solutions in process technologies, products & services

### Strategic Investments

- ▶ Strategic technologies & equipment
- ▶ Sustainable technologies, businesses, products & services
- ▶ Environmental solutions products & services

### Capabilities Investment

- ▶ Implement ongoing training and development programmes
- ▶ Recruit additional high calibre specialists

## Creating Value By

### FOCUSING ▶

on geographical markets and market sectors which exhibit strong growth trends.



### SUCCEEDING ▶

through the consistent execution of our proven strategy for growth.



### ◀ DEVELOPING

solutions capabilities tailored to the requirements of customers worldwide.



### ◀ EXPANDING

in emerging economies where our total solutions give us competitive advantage.

# OUR BUSINESS

## Engineering Services & Equipment



Design, consultancy  
and turnkey  
engineering services



Design, fabrication  
and supply of  
process equipment,  
technologies,  
analytical and  
instrumentation  
systems for oil & gas  
and petrochemical  
industries



Field services  
(installation,  
commissioning,  
maintenance &  
training)

Our Engineering Services & Equipment business is further classified into **2 KEY SEGMENTS**, namely:



1

## Advanced Analyser Technologies


**ATAC**

Incorporated in United Kingdom, **Analytical Technology & Control Limited ("ATAC")** specialises in the design, manufacture and supply of a range of online analysers for the process and quality controls of refinery products, as well as a range of analysers for measuring calorific values of natural gas compositions in gas plants.

 **Guided Wave**


US-based **Guided Wave Inc ("GWI")** specialises in online optical measurements for process analytical chemistry. With over 30 years of experience and more than 600 installed systems worldwide, GWI designs complete UV / VIS / NIR instrument systems and sample conditioning systems that are used continuously, both online and real-time under the rigours of the manufacturing plant environment.

2

## Advanced System Solutions


 **CAE**

Established in Singapore, with factories and offices in Singapore, China, United States and Middle East. **Advanced CAE ("CAE")** is an expert designer and provider of process analyser systems, metering skids and related services to the oil and gas, petrochemical, pharmaceutical and semiconductor industries.

# OUR SYSTEMS & PRODUCTS

## 1 BALL VALVES

High quality standard and customised ball valves for speciality industrial use such as coal-gasification / liquefaction, LNG, PTA etc.



## 2 BOILING POINT ANALYSER

Continuous measurement of a single distillation point with short response time making it ideal for process control.



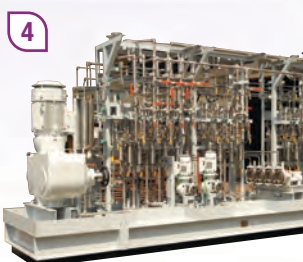
## 3 CATALYST METERING PACKAGE

Transfers catalyst, in paste form, in a precise quantity in a polypropylene plant.



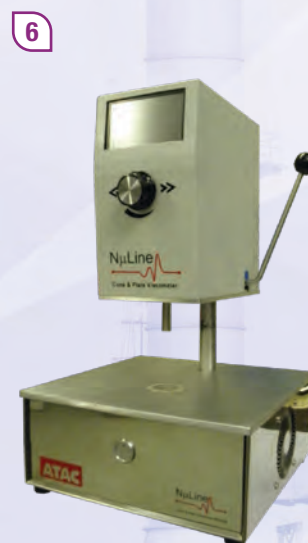
## 4 CHEMICAL DOSING SYSTEM

Automatically injects a precise quantity of various chemicals for the treatment of products and protection of plant equipment.



## 5 CLEARVIEW® DB PHOTOMETER

A true dual-beam, process-proven filter photometer that can measure up to six parameters (chemical concentrations and physical parameters) at one or two independent monitoring points in liquid or gas process streams.



## 6 CONE & PLATE VISCOMETER

NuLine is a Cone & Plate Viscometer designed for fast, reliable quality control measurements across a wide range of industrial manufacturing applications including paints & coatings, resins, adhesives, laminates, and food products. It is easy to clean and maintain in the harshest manufacturing environments with a range of fully interchangeable cone sizes available.



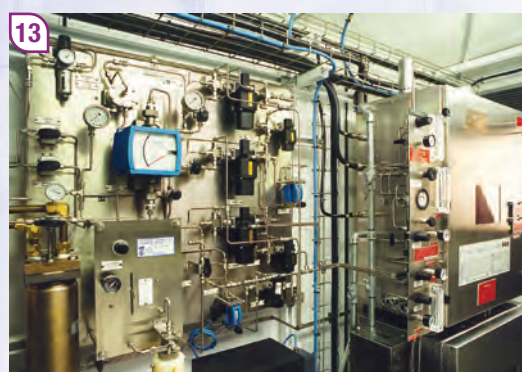
## 7 GAS ODORISATION SYSTEM

Odorises natural gas / town gas / LPG due to safety regulations. We supply de-odorisation systems as well.

## 8 LUMINOS TDL GAS ANALYSER

Utilises a tuneable diode laser for precise measurements, even at very low concentrations. This online analyser measures H<sub>2</sub>O, H<sub>2</sub>S, CO<sub>2</sub>, CO and O<sub>2</sub> rapidly and only requires at-site maintenance and calibration.





## 9 NEAR INFRARED (NIR) ONLINE PROCESS ANALYSER

Coupled with Guided Wave's optically-matched, industry-proven process insertion Probes, Flow Cells, and Fiber Optic Cables, NIR-O is designed for continuous use in liquid and gas phase applications within the chemical, petrochemical, hydrocarbon processing, polymer, and consumer product markets.

## 10 PROCESS ANALYSER SYSTEM

Consisting of analysers, sample conditioning system and shelter, it is used mainly in the process and quality controls in manufacturing.

## 11 PROCESS VISCOMETER

The Process Viscometer is an online analyser for determining the viscosity of petroleum blended products and feed stocks. The results obtained correlate with the standard test methods utilised by all the worlds refineries, ASTM D445 / D2170.

## 12 SAMPLE-POINT INTERFACES

Optically matched process insertion probes and flow cells for use online or at-line, complete a process analyser system. They can withstand a wide variety of temperatures, pressures, and chemical compositions, which allow direct real-time monitoring of liquid or gas process streams.

## 13 SAMPLING CONDITIONING SYSTEMS

A Sample Conditioning System delivers a representative sample to Process Analysers for measurement. It is a prerequisite for analyser reliability. Sample Conditioning Systems are inclusive of sample extraction, sample transport line, pressure regulating / boosting, sample cooling / temperature maintaining, flow regulating, filtration, calibration facilities, sample disposal, etc.

## 14 VAPOUR PRESSURE ANALYSER

The ATAC Model 1354 is a completely automatic Vapour Pressure Analyser for measuring the Reid Vapour Pressure (the vapour pressure exerted by a liquid at 100°F/37.8°C) for a wide range of refinery streams. Accurate measurements that correlate with ASTM D323 (D1267 for LPG) can be made on samples having viscosities up to 80cP at the measurement temperature.

# ASSOCIATED PARTNERS



## Analysers & Systems



Specialising in online analytical instrumentation, brands including Mass Spectrometer.



Specialises in Tuneable Diode Laser Absorption Spectroscopy (TDLAS) gas and dust analysers.



Specialises in Wobbe Index, Heating Value (BTU), Combustion Air Requirement analysers; Online EDXRF analysers for element analysis in liquids and total sulphur analysis in petroleum products.



Specialising in gas detection products includes continuous process analysers, BTU analysers, flammable gas monitors, oxygen monitors, and remote access and control devices.



## Specialty Valves & Equipment



High quality and reliable specialty ball valves in various exotic alloy materials for severe application in the PE / PP, LNG, Corrosive Acid, Coal Gasification and Catalyst Industries.



Designs, manufactures and supplies high performance hydraulic powered actuators, control unit systems and valves such as slide, plug, butterfly for the FCCU / RFCCU refining units.

# MANAGING DIRECTOR'S MESSAGE TO SHAREHOLDERS

## *Dear Shareholders,*

On behalf of the board of Advanced Holdings ("**Advanced**" or "**Group**") it is my pleasure to present our Annual Report for the financial year ended 31 December 2020 ("**FY2020**").

In 2020 the world economy faced a crisis like no other in recent memory. As I outlined in last year's annual report, the COVID-19 pandemic was, and continues to be, a major source of disruption across all industries including the Group's main areas of business, namely Petrochemicals and Chemicals, and Oil & Gas<sup>1</sup>.

The first half of 2020 saw Russia and Saudi Arabia engaged in an oil price war<sup>2</sup>, which caused oil prices to collapse and stock markets to fall before both sides could come to an agreement in the face of reduced demand. Similarly, weak demand for gasoline and other refined products due to COVID-19 exacerbated the overcapacity issues<sup>3</sup> refineries were already struggling with before the pandemic.

China was the only major economy which experienced growth in 2020 expanding by 2.3% after a historically rough start to the year<sup>4</sup>, while the US and Eurozone contracted by 3.6% and 7.4% respectively, adding to the global economic contraction of 4.3%.

In the context of this worldwide economic and industrial turmoil, Advanced's day-to-day business operations were negatively affected throughout FY2020, which is reflected in our year-end financial report.

### **DISPOSAL OF ZMK TECHNOLOGIES GmbH AND SOFRASER S.A.S.**

On 4 June 2020, the Group entered into a conditional share purchase agreement to dispose of its 85% equity interest in its subsidiary, ZMK Technologies GmbH ("**ZMK**"). The Group recorded a gain on disposal of S\$6.5 million.

On 7 May 2020, the Group disposed of its 30.25% equity interest in its associate, Sofraser S.A.S., for a cash consideration of S\$0.4 million, recording a gain on disposal of S\$0.05 million.

<sup>[1]</sup> <https://www.icis.com/explore/resources/news/2020/11/19/10577143/global-refining-industry-braces-for-a-volatile-outlook>  
<sup>[2]</sup> <https://www.economist.com/finance-and-economics/2020/03/09/saudi-russian-price-war-sends-oil-and-stockmarkets-crashing>  
<sup>[3]</sup> <https://www.argusmedia.com/en/news/2149549-covid19-exacerbating-refining-overcapacity-idea>  
<sup>[4]</sup> <https://www.wsj.com/articles/china-is-the-only-major-economy-to-report-economic-growth-for-2020-11610936187>

A man with short dark hair, wearing a black tuxedo jacket, a white dress shirt, and a black bow tie, is smiling and standing in front of a large industrial facility. The facility features tall distillation columns, pipes, and scaffolding, set against a sunset sky with warm orange and pink hues. The man is positioned on the left side of the frame, and the industrial background extends across the entire width of the image.

“

**WE NEED TO  
ANTICIPATE THE  
NEW-NORM**

caused by COVID-19  
and other market  
forces with vigilance.

”

## FY2020 FINANCIAL REVIEW

The Group reported a year-on-year revenue decrease of 35.1%, from S\$91.2 million to S\$59.1 million. Gross profit shrank from S\$20.9 million to S\$11.9 million in FY2020, a decrease of 43.2%, while gross profit margin for the year was 20.1%, compared to the 23% reported in FY2019.

With a view to mitigating the impact of the factors I touched on in the introduction, we have been diligent in managing operating costs during this trying period. All costs of business have decreased across the board on a year-on-year basis after the Group engaged in a cost reduction initiative.

Advanced's administrative expenses amounted to S\$5.6 million for the second half of FY2020. This represents a 22.9% decrease from the S\$7.2 million spent on administrative expenses in 2H2019. Other operating expenses decreased by 13.7% in 2H2020 as research and development was scaled down.

The Group registered a foreign exchange net gain of S\$0.9 million in FY2020 as compared to a net loss of S\$1.2 million in FY2019. In China, our factory building is undergoing a major revamp which has resulted in the Group experiencing an accelerated depreciation of S\$2.7 million in FY2020.

With the previously mentioned gain of S\$6.5 million from the sale of ZMK taken into account, Advanced reported an income attributable to owners of the company of S\$2.8 million for FY2020 in comparison to the loss of S\$14.9 million the previous year.

Geographically, almost all regions experienced a slowdown in business activity and decrease in revenue due to the effects of the global pandemic.

China remains our biggest market and revenue contributor, accounting for 42.8% of

the Group's total revenue despite a 22.7% decrease in revenue, from S\$32.8 million to S\$25.3 million. Revenue from Singapore amounted to S\$6.7 million in FY2020, an 11.1% decrease from the S\$7.5 million earned in FY2019, making up 11.3% of Advanced's total revenue and the second biggest revenue contributor in FY2020.

The only exception to the downward trend was South Korea, which accounted for 11.0% of total sales - putting it in third place in terms of revenue contribution - as the completion of projects in the country saw its revenue increase by 77.3% year-on-year from S\$3.6 million to S\$6.5 million in FY2020.

The Group's financial position is strong with cash holdings of S\$31.5 million, and an outstanding order book of approximately S\$38.7 million, as at 31 December 2020.

## FUTURE OUTLOOK

While analysts are bullish about projected economic growth for 2021 - some predict the world economy to grow between 5 to 5.5%<sup>6</sup>, which, if their forecasts are correct, would be the fastest recorded growth rate in the 21st century<sup>7</sup> - COVID-19 is still a serious concern.

It remains to be seen whether vaccination rates can gain enough pace to return the world to pre-pandemic levels in a timely manner. The discovery of new variants of the virus<sup>8</sup> could dampen hopes of a recovery even though oil demand is expected to rise in the second half of 2021<sup>9</sup>.

At Advanced we will remain vigilant and act with due prudence and forethought as events unfold through the course of the coming year.

Yours Sincerely,  
**Dr Wong Kar King**  
Managing Director

<sup>6</sup> <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

<sup>7</sup> <https://www.pwc.com/gx/en/research-insights/economy/global-economy-watch/predictions-2021.html>

<sup>8</sup> <https://www.pwc.com/gx/en/research-insights/economy/global-economy-watch/predictions-2021.html>

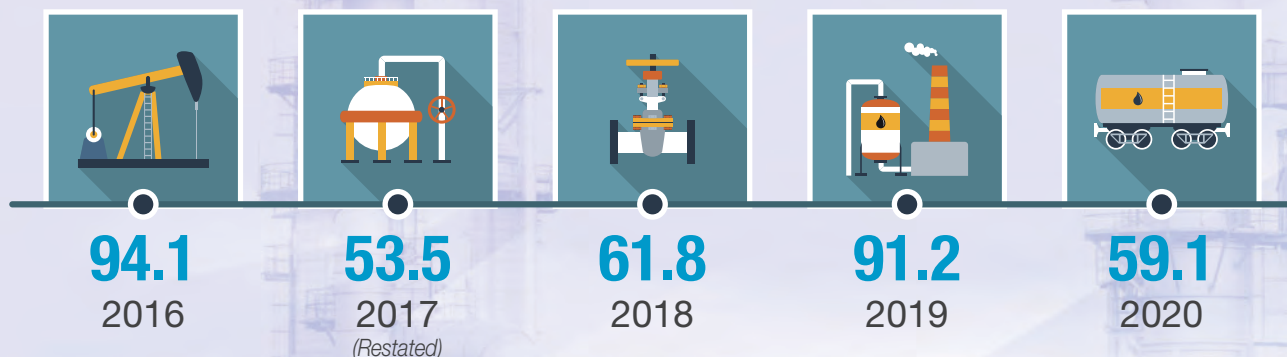
<sup>9</sup> <https://www.theguardian.com/world/2021/mar/03/brazil-covid-global-threat-new-more-lethal-variants-miguel-nicoletis>

<sup>9</sup> <https://www.wsj.com/articles/oil-demand-recovery-expected-to-outstrip-production-11613035778>

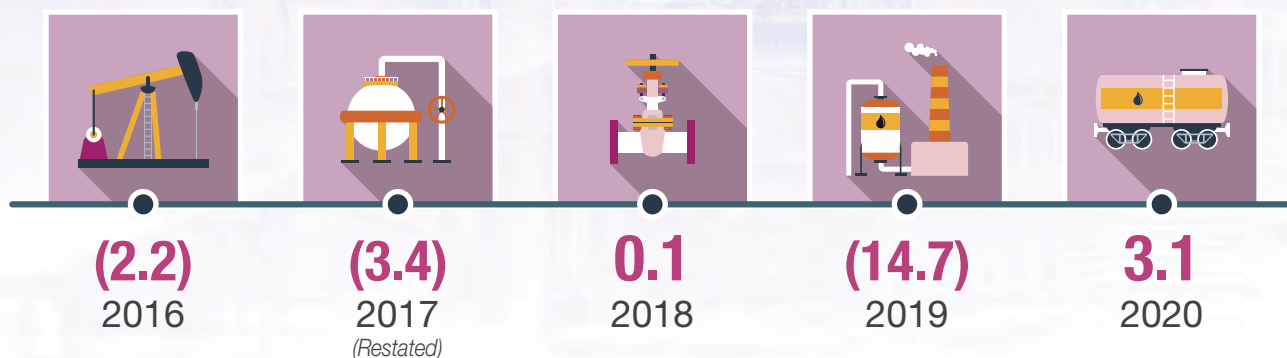
# FINANCIAL HIGHLIGHTS

|                                            | 2016    | 2017<br>(Restated) | 2018   | 2019     | 2020   |
|--------------------------------------------|---------|--------------------|--------|----------|--------|
| Revenue (\$'000)                           | 94,084  | 53,479             | 61,761 | 91,156   | 59,137 |
| Profit (Loss) after tax (\$'000)           | (2,230) | (3,436)            | 62     | (14,743) | 3,064  |
| Shareholders' equity (\$'000)              | 68,753  | 57,937             | 57,780 | 42,647   | 45,955 |
| Cash and cash equivalents (\$'000)         | 46,176  | 41,175             | 33,355 | 16,161   | 31,548 |
| Earnings (Losses) per share "EPS" (cents)# | (1.80)  | (3.00)             | 0.30   | (14.69)  | 2.77   |
| Dividend per share "DPS" (cents)#          | 2.50    | 4.90               | -      | -        | -      |
| Net asset value per share "NAV" (cents)#   | 67.89   | 57.21              | 57.06  | 42.11    | 45.38  |
| Current ratio (times)                      | 2.19    | 2.42               | 2.79   | 1.56     | 2.52   |

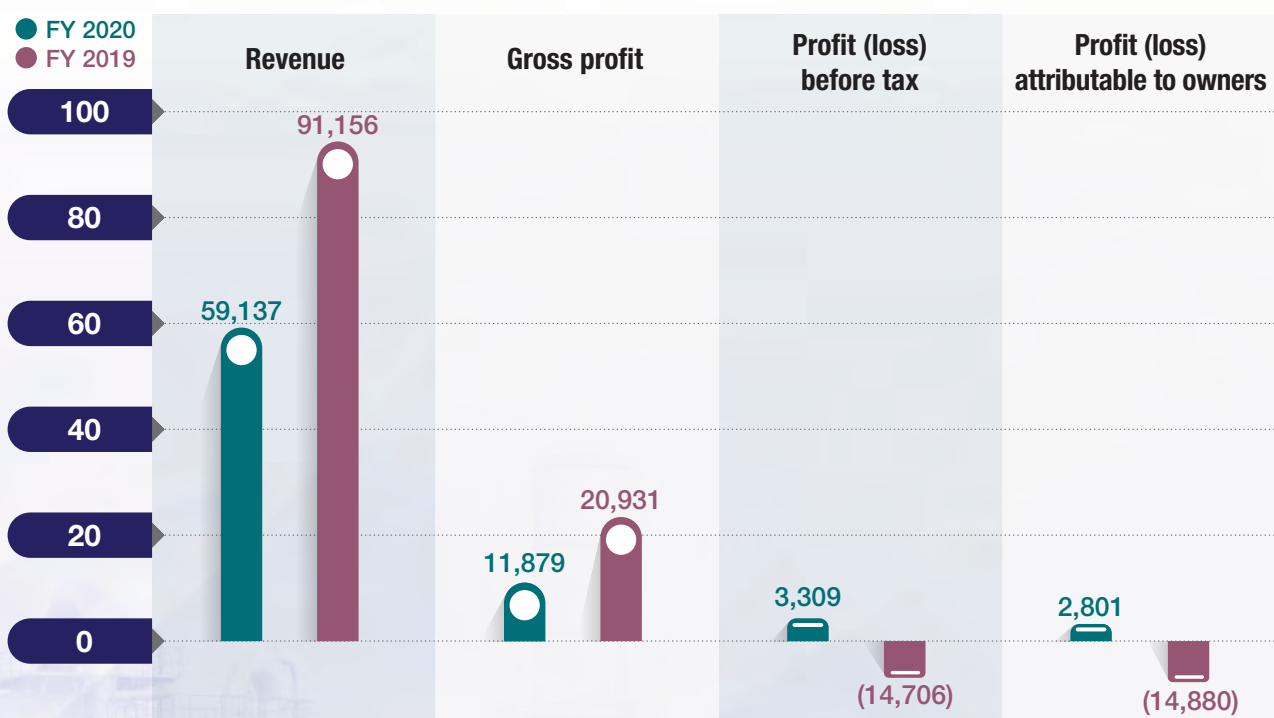
## Revenue (\$M)



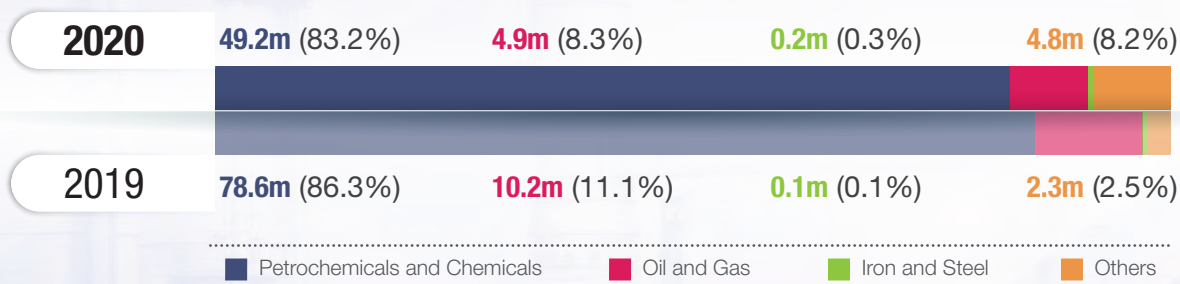
## Profit (Loss) After Tax (\$M)



## Two Years Comparison (\$'000)



## Revenue By Industry (\$M)



## Revenue By Geographical Market (\$M)

| COUNTRY                  | REVENUE | 2020   S\$'M (%) | 2019   S\$'M (%) |
|--------------------------|---------|------------------|------------------|
| China                    |         | 25.3m (42.8%)    | 32.8m (36.0%)    |
| Singapore                |         | 6.7m (11.3%)     | 7.5m (8.2%)      |
| South Korea              |         | 6.5m (11.0%)     | 3.6m (3.9%)      |
| USA                      |         | 5.9m (10.0%)     | 9.3m (10.2%)     |
| Other European Countries |         | 3.8m (6.4%)      | 8.9m (9.8%)      |
| Middle East              |         | 3.0m (5.1%)      | 7.4m (8.1%)      |
| Kazakhstan               |         | 2.8m (4.7%)      | 4.9m (5.4%)      |
| Thailand                 |         | 2.2m (3.7%)      | 2.9m (3.2%)      |
| Vietnam                  |         | 0.9m (1.5%)      | 1.4m (1.5%)      |
| Others                   |         | 0.7m (1.2%)      | 1.1m (1.2%)      |
| Other Asian Countries    |         | 0.5m (0.8%)      | 1.3m (1.4%)      |
| Indonesia                |         | 0.3m (0.6%)      | 1.8m (2.0%)      |
| Netherlands              |         | 0.3m (0.6%)      | 7.2m (7.9%)      |
| Malaysia                 |         | 0.2m (0.3%)      | 1.1m (1.2%)      |

# BOARD OF DIRECTORS



## DR WONG KAR KING

Managing Director

Dr Wong is the founder and Managing Director of the Advanced Group and was appointed to the Board on 19 February 2004. His key responsibilities include the overall management and operations of the business, in addition to formulating business strategies poised at spearheading the Group's growth forward. Dr Wong has 36 years of experience in technical sales and marketing. He also spent three years in the field of research and development. Prior to establishing the Group in 1992, Dr Wong worked in Rotork PLC (in England) and subsequently Rotork Asia (in Singapore) from 1987 to 1992. Dr Wong graduated from The Queen's University of Belfast, United Kingdom with a Bachelor Degree in Engineering (First Class Honours) and a Doctorate in Engineering. He was conferred the Outstanding Entrepreneur Award at the Asia Pacific Entrepreneurship Awards 2013 organised by Enterprise Asia and was later crowned the EY Entrepreneur Of The Year 2014 led by Ernst & Young in Singapore.

## LIM BOON CHENG

Independent & Non-Executive Chairman

Mr Lim was appointed as the Independent & Non-Executive Chairman on 14 August 2019 and he has been on the Board as an Independent Director since 1 April 2013. He comes with more than 30 years of experience in the accounting industry, primarily in auditing, financial accounting and business advisory work. Mr Lim is well-regarded in the accounting industry, having served as Chairman of the Public Accounting Practice Committee of the Institute of Singapore Chartered Accountants ("ISCA") when he was a Council Member of the Institute. Mr Lim is a Panel Member of the Strata Titles Boards of Singapore and he is also a Lay Member of the Inquiry Panel of the Law Society of Singapore. Prior to joining Advanced, he was the Managing Partner and subsequently the Chairman of the accounting firm LTC LLP, until his retirement from the practice in March 2012. Mr Lim is a Fellow of ISCA and a Fellow of Chartered Accountants Ireland. He holds a Master of Business Administration degree from the University of Ulster, United Kingdom.



## DR HO CHOON HOU

### Independent Director

Dr Ho Choon Hou was appointed as an Independent Director of the Board on 4 January 2013. Dr Ho is the Interim Chairman and Independent Director of Cordlife Group Ltd and serves as an Independent and Non-Executive Director of Mclean Technologies Berhad. He is also the Chairman and Independent Director of Vividthree Holdings Ltd and a Managing Director at Southern Capital Group Limited, a private equity firm, where he is responsible for the management of assets as well as the origination and execution of investments. Prior to that, Dr Ho held various medical portfolios in the healthcare industry. From 2004 to 2007, he served as Project Office Head and subsequently Deputy Director at National Healthcare Group where he was involved in directing special projects and investments and held general management responsibilities. Dr Ho holds a Bachelor of Medicine and Bachelor of Surgery from The University of Sheffield (Honours), as well as a Masters in Medicine (Surgery) from the National University of Singapore. He also obtained his Masters of Business Administration (Honours) from The University of Chicago.



## BG LIM YEOW BENG

### Independent Director

Mr Lim was appointed as an Independent Director of the Board on 14 August 2019. He has more than 30 years of experience in the logistics and engineering industry, having served in various leadership roles in the ST Logistics Group of Companies, the Singapore Mainboard Listed Sembcorp Logistics as well as various directorships of more than 25 commercial companies spanning across North America, Europe, Middle East, South Asia, PRC and other Asia Pacific countries. Prior to joining the private sector, Mr Lim was a Brigadier General (Retired) who held various command and staff appointments in his career with the Singapore Armed Forces. His pinnacle military appointment was the Head of Air Engineering and Logistics, being responsible for the total integrated logistics and engineering operations for the Republic of Singapore Air Force (RSAF). A graduate of the National University of Singapore, Mr Lim holds a Bachelor of Engineering Degree in Mechanical Engineering (Hons) and Master of Science in Industrial Engineering. He has attended Executive Development Program by IMD, Switzerland.



# KEY MANAGEMENT



**TEO SIOK SAN SAMANTHA**  
Deputy Chief Executive Officer

Ms Teo was appointed the Deputy Chief Executive Officer of the Group in August 2018. Her primary responsibilities include assisting the Managing Director in the overall management and operations of the Group, formulating business strategies and identifying new businesses for the Group. She is a strong advocate that happy employees result in satisfied clients. She will champion the Group's direction to be client-focused, devoting time and resources to finetune the employees' mindset, skillset to appreciate and fulfill clients' needs. Ms Teo brings with her more than 20 years of experience in business development, sales and marketing, leadership in addition to her knowledge and network developed over the years in the offshore marine, oil and gas industries. She holds a Bachelor's Degree in Computer Science from the National University of Singapore.



**QUAH KIM TECK**  
Managing Director, Advanced CAE Global Operations

Mr Quah has been fronting Advanced CAE Pte Ltd ("CAE") for more than 30 years, covering engineering, project management as well as sales and marketing of process analyser systems for the oil and gas industry. He is a chemical engineer by profession and is well recognised in the field of process analyser systems. Prior to assuming his new role as Managing Director, Mr Quah had been involved for some years laying the groundwork for CAE's global growth infrastructure as General Manager. With his expertise, he is well equipped to lead CAE towards further growth as well as in establishing global markets. Mr Quah holds a Bachelor's Degree in Chemical Engineering from the National University of Singapore.



**FREDY CHENG**  
Chief Financial Officer

Mr Cheng first joined the Company in 2017 as Group Financial Controller and was promoted to Chief Financial Officer in September 2019. He is responsible for finance and accounting, compliance, corporate governance as well as mergers and acquisition activities of the Group. He has more than 20 years of accounting and auditing experience with established accounting firms and multinational companies in Singapore and Australia. Mr Cheng holds a Bachelor's Degree in Accounting and Finance from University of New South Wales in Australia and is currently a member of Chartered Accountants Australia and New Zealand.



**YANG XIAO FEI**  
General Manager, PRC Operations

Ms Yang is responsible for managing the Group's sales and marketing in the People's Republic of China ("PRC"). Prior to joining the Group in 2000 as a Division Sales Manager, she was the General Manager of Beijing Huawei Energy Technology Co. Ltd where she was instrumental in establishing contacts and developing business opportunities in the Oil & Gas industry. She holds a Degree in Bachelor of Economics, majoring in Accountancy, from the Beijing Forestry University, School of Economics and Finance.



**STEPHEN JAMES EDWARD MCRAE**  
Finance & Managing Director,  
Analytical Technology & Control Ltd

Mr McRae joined Analytical Technology & Control Ltd ("ATAC") in 2010. Appointed as the Finance & Managing Director on 1 January 2015, he is responsible for managing ATAC's finance and overall business operations and development. He previously held the roles of Finance Manager and Finance Director before his current appointment. Prior to joining the Group, he spent 20 years with Blue Circle PLC and Lafarge SA which are world leaders in cement as well as FTSE100 and CAC40 listed companies respectively. Mr McRae last held the position of Industrial Finance Leader for Lafarge's over £400m UK cement operations. Mr McRae, who is ACMA / GCMA qualified (Chartered Institute of Management Accountants), brings with him many years of experience in working with and leading teams across multiple large complex manufacturing plants.

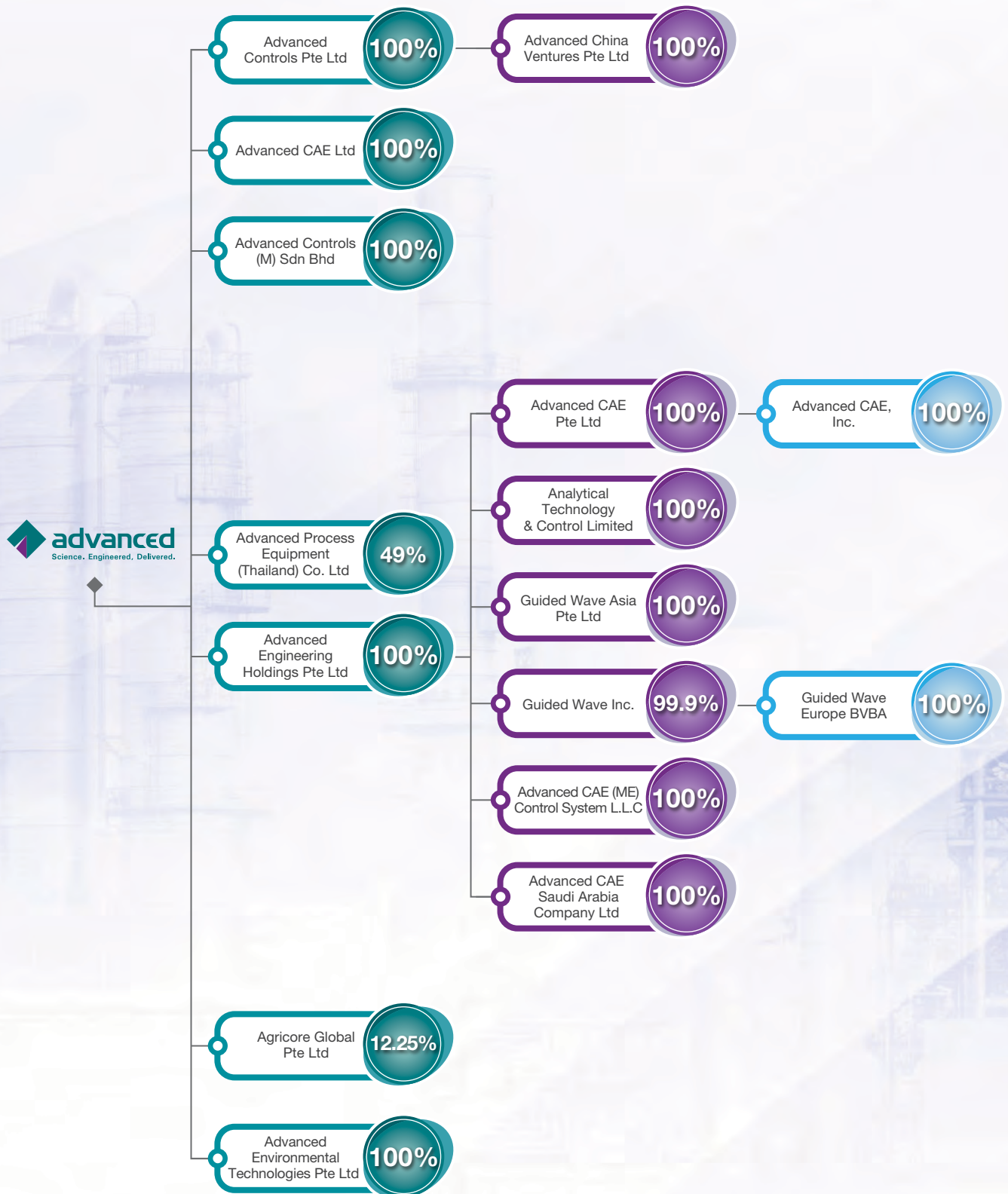


**SUSAN JANETTE FOULK**  
President, Guided Wave Incorporated

Ms Foulk was appointed to her current role as President of Guided Wave Incorporated ("GWI") on 1 April 2012. She is responsible for formulating and implementing the strategic goals and objectives of GWI and managing its overall business operations and development. This includes overseeing the Engineering / R&D, Manufacturing, Service & Support, and Administration functions of GWI which is based in Rancho Cordova, California. With a background in Chemistry and Chemometric (Statistical) data modeling, she has been employed by GWI for over 30 years in a variety of capacities. She holds a Master's Degree in Analytical Chemistry from the University of North Carolina, Chapel Hill, as well as a Bachelor's in Chemistry from the University of Florida. In 2013, she was conferred the EAS (Eastern Analytical Symposium) award for Outstanding Achievements in Near-Infrared Spectroscopy and was later awarded honorary lifetime membership to the Council for Near-Infrared Spectroscopy in 2016.



# GROUP STRUCTURE



# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

**Dr Wong Kar King**  
(Managing Director)

**Mr Lim Boon Cheng**  
(Independent and Non-Executive Chairman)

**Dr Ho Choon Hou**  
(Independent Director)

**BG Lim Yeow Beng**  
(Independent Director)

## **AUDIT COMMITTEE**

**Mr Lim Boon Cheng**  
(Chairman)

**Dr Ho Choon Hou**  
**BG Lim Yeow Beng**

## **NOMINATING COMMITTEE**

**Dr Ho Choon Hou**  
(Chairman)

**Mr Lim Boon Cheng**  
**BG Lim Yeow Beng**

## **REMUNERATION COMMITTEE**

**Mr Lim Boon Cheng**  
(Chairman)

**Dr Ho Choon Hou**  
**BG Lim Yeow Beng**

## **COMPANY SECRETARY**

**Ms Ong Beng Hong (LL.B)**

## **REGISTERED OFFICE**

30 Woodlands Loop  
Singapore 738319  
Tel : +65 6854 9000  
Fax: +65 6779 5400  
Website: [www.AdvancedHoldings.com](http://www.AdvancedHoldings.com)  
Email : [sales@AdvancedHoldings.com](mailto:sales@AdvancedHoldings.com)

## **SHARE REGISTRAR**

### **Tricor Barbinder Share Registration Services**

(A division of Tricor Singapore Pte Ltd)  
80 Robinson Road #02-00  
Singapore 068898

## **INDEPENDENT AUDITOR**

### **Ernst & Young LLP**

Public Accountants and  
Chartered Accountants  
One Raffles Quay,  
North Tower, Level 18  
Singapore 048583

## **AUDIT PARTNER-IN-CHARGE**

### **Mr Adrian Koh**

Date of Appointment:  
Since financial year ended  
31 December 2020

## **PRINCIPAL BANKERS**

### **Oversea-Chinese Banking Corporation Limited**

65 Chulia Street  
OCBC Centre  
Singapore 049513

### **DBS Bank Ltd**

12 Marina Boulevard  
DBS Asia Central @  
Marina Bay Financial  
Centre Tower 3  
Singapore 018982

# GLOBAL PRESENCE

## SINGAPORE

Advanced Holdings Ltd  
Advanced CAE Pte Ltd  
Advanced China Ventures Pte Ltd  
Advanced Controls Pte Ltd  
Advanced Engineering  
Holdings Pte Ltd  
Advanced Environmental  
Technologies Pte Ltd  
Guided Wave Asia Pte Ltd

30 Woodlands Loop  
Singapore 738319  
Tel : +65-6854 9000  
: +65-6854 9001  
Fax: +65-6779 5400  
: +65-6758 7389

**Agricore Global Pte Ltd**  
80 Robinson Road, #02-00,  
Singapore 068898

## ASIA

### MALAYSIA

**Advanced Controls (M) Sdn Bhd**  
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“

At Advanced,  
we will continue to

## **EVOLVE AND TRANSFORM**

in order to remain  
relevant in this ever  
changing environment.

”

# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Advanced Holdings Ltd. (the “**Company**”) is committed to ensuring that high standards of corporate governance and transparency are practised for the protection of the interests of Shareholders. This statement sets out the Company’s corporate governance processes with specific reference to the Code of Corporate Governance 2018 (the “**Code 2018**”). The Company has complied with the principles and provisions of the Code 2018 but in areas where the Company deviates from the Code 2018, the rationale is provided.

## 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 Board is responsible for protecting and enhancing long-term shareholders’ value. It provides directions and guidance to the overall management of the Group and holds Management accountable for performance. It puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Group. The Board comprises an Independent Chairman, an Executive Director and two Independent Directors. The experience and competence of each Director contributes to the overall effective management of the Group. Each Director is a fiduciary who acts objectively in the best interests of the Company.

The primary role of the Board includes the following:

- setting and approving policies and strategies of the Group;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed;
- reviewing management performance;
- reviewing the remuneration packages of the board members and key management personnel;
- reviewing and approving the financial performance of the Group including its periodic and full year financial results announcements;
- reviewing the adequacy of the Company’s internal controls and the financial information reporting system;
- approving the nomination of Directors and appointments to the Board Committees;
- authorising major transactions such as fund-raising exercises and material acquisitions;
- setting the Company’s values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met;
- considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
- assuming responsibility for corporate governance of the Group.

The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict. The Constitution of the Company provides that at a meeting of the Directors, a Director shall not vote in respect of any contract or proposed contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly, and that such Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. In the event that a Director is interested in any transaction of the Group, he informs the Board accordingly and abstains from making any recommendation or decision with regard to the transaction.

To facilitate effective management, certain roles have been delegated to various Board members by the establishment of Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, which have been constituted with clearly defined terms of reference. Matters which are delegated to these Board Committees for more detailed appraisals are reported to and monitored by the Board. The effectiveness of each Board Committee is also closely monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

The Company’s Directors and their membership on Board Committees (if any) during the financial year under review were as follows:

| Name of Director  | Board Membership                                   | Audit Committee | Nominating Committee | Remuneration Committee |
|-------------------|----------------------------------------------------|-----------------|----------------------|------------------------|
| Mr Lim Boon Cheng | Independent Chairman and Lead Independent Director | Chairman        | Member               | Chairman               |
| Dr Wong Kar King  | Managing Director                                  | -               | -                    | -                      |
| Dr Ho Choon Hou   | Independent Director                               | Member          | Chairman             | Member                 |
| BG Lim Yeow Beng  | Independent Director                               | Member          | Member               | Member                 |

# STATEMENT OF CORPORATE GOVERNANCE

The Board meets at least two times a year. Regular meetings are scheduled at least one month before the meetings are held. Ad-hoc meetings are called when there are matters requiring the Board's consideration and decision in between the scheduled meetings. In addition to holding meetings, important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

Matters which require the Board's approval include the following:

- review of the performance of the Group and approval of the result announcements of the Group released via the SGXNET;
- approval of the corporate strategy and direction of the Group;
- approval of transactions involving a conflict of interest for a substantial shareholder or a Director and interested person transactions;
- material acquisitions and disposals;
- corporate and financial restructuring;
- declaration of dividends and other returns to Shareholders; and
- appointments of new Directors and senior management.

A formal document setting out the guidelines and matters (including the matters set out above) which are to be reserved for the Board's decision has been adopted by the Board.

The Directors inform the Company, from time to time, of their individual directorship in other companies outside the Group. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Group.

The Constitution of the Company allows the Directors to participate in a Board meeting by telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other, without a Director being in the physical presence of another Director or Directors in which event such Director shall be deemed to be present at the meeting.

The details of the number of meetings held in the year under review as well as the attendance of each Board member at those meetings are as follows:

| Name of Director                    | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|-------------------------------------|-------|-----------------|----------------------|------------------------|
| <b>Number of meetings held</b>      | 5     | 5               | 1                    | 1                      |
| <b>Number of meetings attended:</b> |       |                 |                      |                        |
| Mr Lim Boon Cheng                   | 5     | 5               | 1                    | 1                      |
| Dr Wong Kar King                    | 5     | 5*              | 1*                   | 1*                     |
| Dr Ho Choon Hou                     | 5     | 5               | 1                    | 1                      |
| BG Lim Yeow Beng                    | 5     | 5               | 1                    | 1                      |

\* Attendance by invitation

Generally, a newly-appointed Director will be given an orientation to familiarise him/her with the Group's business and governance practices and he/she will also be given a formal letter setting out the duties and obligations of a director of a listed company.

Existing Directors are encouraged to participate in seminars or discussion groups to be kept abreast of the latest developments relevant to the Group. In addition, the Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. During FY2020, courses attended included the following:

- Senior Manager Accountability (Global);
- Market Conduct (Global);
- Conflicts of Interest (Global); and
- Information Security and Cyber Risk Awareness (Global).

In line with Rule 210(5)(a) of the SGX-ST Listing Manual, the Company will arrange for newly-appointed directors who have no prior experience as directors of an issuer listed on the SGX-ST to undergo the mandatory SGX prescribed training on their roles and responsibilities unless the Nominating Committee otherwise at its discretion waives the need for the newly-appointed Director to attend the mandatory SGX-ST prescribed training.

In order to ensure that the Board is able to fulfil its responsibilities, the Management is required to provide timely information on matters that require the Board's decision and reports on material operational and financial matters of the Group. The Directors also have unrestricted access to the Company's records and information.

# STATEMENT OF CORPORATE GOVERNANCE

All Directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least three working days prior to the meeting in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

- background or explanation on matters brought before the Board for decision or information, including issues being dealt with by the Management, relevant forecasts and projections;
- minutes of the previous Board meeting; and
- minutes of meetings of all Board Committees held since the previous meeting of the Board Committee.

In addition, the members of the Board have, at all times, independent and unrestricted access to the Management, the Company Secretary and internal and external auditors on all matters whenever they deem necessary.

The Company Secretary or a representative from the Company Secretary's office attends all Board meetings and meetings of the Board Committees and is responsible for ensuring that procedures for Board meetings (including those stipulated in the Company's Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) and the SGX-ST Listing Manual, are complied with.

The Board supports the taking of any independent professional advice by a Director, at the Company's expense, if necessary, in order for the Director to effectively discharge his duties and responsibilities.

## **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.***

The Company endeavours to maintain a strong independent element on the Board with the Independent Directors making up at least one-third of the Board. The current Chairman is independent and Independent Directors currently make up a majority of the Board. The current number of Independent Directors complies with Rule 210(5)(c) of the Listing Manual of the SGX-ST, which requires the Board to have at least two non-executive Directors who are independent and free of any material business or financial connection with the Company. The current composition of the Board also complies with the Code 2018's requirement that non-executive directors make up a majority of the Board. The independence of each Independent Director is reviewed annually by the Nominating Committee.

Under the Code 2018, an independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. Under Rule 210(5) of the Listing Manual of the SGX-ST, a Director will not be independent if he is employed or has been employed by the Company or any of its related corporations in the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Remuneration Committee.

The Independent Directors help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and participate in decisions on the appointment, assessment and remuneration of the Executive Directors and key management personnel. The Independent Directors do not participate in the day-to-day management of the Group.

A Director who is not an employee of the Group and who is not the immediate family member of an employee of the Group and who has no relationship with the Group or its officers or its substantial shareholders which could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company, is considered to be independent. The Board has identified each of the Company's Independent Directors to be independent, after determining, taking into account the views of the Nominating Committee, whether the Director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. Each Director is required to disclose to the Board any such relationships or circumstances as and when they arise.

None of the Independent Directors has served on the Board for an aggregate period of more than nine years. In the event that any Independent Director has served on the Board for nine years or more, the Nominating Committee will subject the independence of such a Director to particularly rigorous review and explain why such a Director should still be considered independent in the Annual Report. In addition, the Company will seek the approval of (i) shareholders excluding shareholders who are also the Directors, the Managing Director and the associates of the Directors and the Managing Director and (ii) all shareholders, in separate resolutions, for the continued appointment of such Independent Directors.

Together, the Board members possess wide ranging experiences in the areas of strategic planning, accounting and finance and business and management in the industries which the Group operates in. Key information regarding the Directors is set out under the section entitled "Board of Directors" in this Annual Report.

# STATEMENT OF CORPORATE GOVERNANCE

The Board's policy in identifying nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of age or gender. The Board is of the view that the current Board comprises persons whose diverse skills, experience, knowledge, expertise and attributes provide for effective direction of the Group. The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of skills, knowledge, expertise, experience, diversity and gender, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The Board is of the opinion that the current size of the Board and each Board Committee is adequate, taking into account the nature and scope of the Group's operations. The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision-making process. The Nominating Committee is also of the view that the Board has a good balance of Directors who have extensive business, financial, accounting and management experience.

The non-executive Directors, led by the Independent Chairman, meet regularly without the presence of the Management. The Independent Chairman provides feedback to the Board as appropriate.

## 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 clear division of responsibilities between the Independent Chairman and the Managing Director ensures proper balance of power and authority, increased accountability and greater capacity of the Board for independent decision making in the Group.

The positions of the Independent Chairman and the Managing Director are kept separate and are held by Mr Lim Boon Cheng and Dr Wong Kar King respectively. The Independent Chairman's duties and responsibilities include scheduling meetings, preparing Board agenda and ensuring compliance with the Code 2018. The Independent Chairman leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the Managing Director. The Independent Chairman reviews the Board papers and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the papers or attend at the relevant time during the Board meeting. The Independent Chairman monitors communications and relations between the Company and its Shareholders, within the Board and between the Board and the Management, with a view to encouraging constructive relations and dialogue amongst them.

The Managing Director is responsible for the day-to-day operations of the Group and to ensure quality flow of information between the Board and the Management.

The Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

Pursuant to the Code 2018, the Company has appointed Mr Lim Boon Cheng as Lead Independent Director. As Lead Independent Director, he is the contact person for Shareholders where the Shareholders have concerns and for which contact through the normal channels of the Chairman or the Managing Director has failed to resolve or is inappropriate.

## 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.**

The Nominating Committee comprises two Independent Directors and the Independent Chairman:

|                   |            |
|-------------------|------------|
| Dr Ho Choon Hou   | (Chairman) |
| Mr Lim Boon Cheng | (Member)   |
| BG Lim Yeow Beng  | (Member)   |

The Nominating Committee was established for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The duties and functions of the Nominating Committee include the following:

- making recommendations to the Board on all board appointments;
- reviewing and recommending nomination for re-appointment or re-election or renewal of appointment of the Directors, having regard to the Directors' contribution and performance;
- reviewing succession plans for directors, in particular the appointment and/or replacement of the Chairman, the Managing Director and key management personnel;

# STATEMENT OF CORPORATE GOVERNANCE

- d. determining annually, or whenever necessary during the year, the independence of Independent Directors, bearing in mind the relationships which would deem a Director not to be independent;
- e. making recommendations to the Board on the process and criteria for evaluation of the performance of the Board, the Board Committees and the individual Directors;
- f. evaluating the performance of the Board, the Board Committees and the contributions from the individual Directors on a year to year basis; and
- g. reviewing training and professional development programmes for the Board and its Directors.

For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria (which includes skills, knowledge, expertise, experience and character) with due consideration given to the size and composition and the mix of skills, knowledge and experience of the existing Board. After evaluating its selection criteria and considering the future needs of the Group, the Nominating Committee (which may use the services of a professional executive search firm), will shortlist the likely candidates, undertake background checks and invite the shortlisted candidates to an interview cum discussion that may include a briefing of the business of the Group and its expectation of its Directors' role and duties. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple Boards. A formal letter is sent to newly-appointed Directors upon their appointment explaining their statutory and other duties and responsibilities as a Director.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director, the Nominating Committee, in consultation with the Board, will determine the selection criteria (which includes skills, knowledge, expertise, experience and character) and select the appropriate candidate for the position.

The Group also releases announcements on the appointment or cessation of Directors via SGXNET.

The Company's Constitution provides that at each Annual General Meeting ("AGM"), one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, is required to retire from office by rotation. Retiring Directors are selected on the basis of those who have been the longest in office since their last election or appointment, failing which they shall be selected by lot. In addition, any newly appointed Director must retire and may submit himself for re-election at the next AGM following his appointment. Thereafter he is subject to the one-third rotation rule if re-elected. Pursuant to Rule 720(5) of the SGX-ST Listing Manual, the Managing Director would also have to subject himself to re-nomination and re-appointment at least once every three (3) years.

The Nominating Committee is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold. As a guide, Directors of the Company should not have more than six listed company board representations and other principal commitments.

After conducting reviews, the Nominating Committee is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

Details of the appointment of Directors including the date of initial appointment, the date of last re-election, directorships in listed companies and other principal commitments, both current and for the preceding three years, are set out below:

| Name of Director                | Age | Date of Initial Appointment | Date of Last Re-election | Present and Past Directorship in Listed Companies | Other Principal Commitments                                                                                                                                                            |
|---------------------------------|-----|-----------------------------|--------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr Lim Boon Cheng               | 65  | 1 April 2013                | 30 October 2020          | Present:<br>Design Capital Ltd <sup>(1)</sup>     | Present:<br>Owner and Principal of Fitzroy Corporate Advisory<br>Director of AIB MT Fund Asia Pte Ltd<br>Past:<br>Director of FGPO (Singapore) Ltd<br>Director of FG Investors Pte Ltd |
| Dr Wong Kar King <sup>(2)</sup> | 59  | 19 February 2004            | 30 October 2020          | -                                                 | Please refer to the section entitled "Additional Information on Directors Seeking Re-election"                                                                                         |

# STATEMENT OF CORPORATE GOVERNANCE

| Name of Director               | Age | Date of Initial Appointment | Date of Last Re-election | Present and Past Directorship in Listed Companies                                                                                                          | Other Principal Commitments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------|-----|-----------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dr Ho Choon Hou <sup>(3)</sup> | 48  | 4 January 2013              | 30 April 2019            | Present:<br>Cordlife Group Limited<br>Vividthree Holdings Ltd.<br>Mclean Technologies Berhad <sup>(4)</sup><br><br>Past:<br>Stemlife Berhad <sup>(5)</sup> | Please refer to the section entitled "Additional Information on Directors Seeking Re-election"                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| BG Lim Yeow Beng               | 62  | 14 August 2019              | 30 October 2020          | Past:<br>Medtecs International Corporation Limited                                                                                                         | Present:<br>Legal Representative and Non-Executive Director of Access World Shanghai<br>Legal Representative, Chairman and Non-Executive Director of Access World Tonghua<br>Legal Representative, Chairman and Non-Executive Director of Access World Guangzhou<br>Non-Executive Director of Tripod Hospitality Pte Ltd<br>Non-Executive Director of Tripod Hospitality Ltd (Thailand)<br>Non-Executive Director of Unicorn Hotels and Resorts Ltd (Thailand)<br>Non-Executive Director of Unicorn Hospitality Co Ltd (Thailand)<br>Non-Executive Director of Face Bistro Pte Ltd<br>Non-Executive Director of Eat Drink Sleep Play Pte Ltd<br>Independent Adviser to ST Logistics group<br>Independent Adviser to Access World Logistics (Singapore) Pte. Ltd. (formerly known as Pacorini Metals (Asia) Pte. Ltd.)<br>Independent Adviser to Goldbell Corporation Pte. Ltd.<br>Independent Adviser to Manor Group (Singapore) Pte. Ltd.<br>Independent Adviser to Royal Maritimo International Pte Ltd<br>President/Adviser of AJJ Health Care Management Pte Ltd<br><br>Past:<br>Non-Executive Director of Enviropac (S) Pte Ltd |

# STATEMENT OF CORPORATE GOVERNANCE

## Notes:

- (1) Listed on the Hong Kong Stock Exchange.
- (2) Dr Wong Kar King will retire at the forthcoming AGM pursuant to Article 91 of the Company's Constitution and Rule 720(5) of the SGX-ST Listing Manual and will be eligible for re-election. Dr Wong was not subject to retirement by rotation under the Company's Constitution prior to the promulgation of Rule 720(5) of the SGX-ST Listing Manual.
- (3) Dr Ho Choon Hou will retire at the forthcoming AGM pursuant to Article 91 of the Company's Constitution and will be eligible for re-election.
- (4) Listed on Bursa Malaysia.
- (5) Delisted from Bursa Malaysia on 22 February 2017.

## 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.**

The Board's overall performance as well as the effectiveness of its Board Committees will be evaluated by the Nominating Committee. The Nominating Committee will also assess each Director's (including the Chairman's) contribution to the Board. The guidelines for assessment include attendance at meetings of the Board and the Board Committees, the level and quality of participation during the meetings and any other specific contributions.

At the end of each financial year, a Board evaluation is conducted where the members of the Nominating Committee complete a questionnaire seeking their views on various aspects of Board performance, such as Board composition, information, process and accountability. The Company Secretary then compiles the Nominating Committee's responses to the questionnaire into a summarised report and circulates the same to the Board for discussion. The Chairman will act on the results of the performance evaluation, and in consultation with the Nominating Committee, propose, where appropriate, new members be appointed to the Board or seek the resignation of Directors.

To assess the effectiveness of the Board as a whole, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) the size and composition of the Board;
- (ii) the discussion and decision-making processes of the Board (including the conduct of meetings by the Board);
- (iii) the Board's access to information;
- (iv) the accountability of the Board to the Shareholders;
- (v) the observation of risk management and internal control policies by the Board; and
- (vi) the performance of the Board (including the Board's performance in relation to the discharge of its principal responsibilities in terms of the financial indicators set out in the Code 2018).

To assess the effectiveness of each Board Committee, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) the size and composition of the Board Committee;
- (ii) the discussion and decision-making processes of the Board Committee (including the conduct of meetings by the Board Committee);
- (iii) the Board Committee's access to information;
- (iv) the accountability of the Board Committee to the Board; and
- (v) the performance of the Board Committees (including the Board Committee's performance in relation to the discharge of its principal responsibilities set out in the Code 2018).

To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) his or her participation at the meetings of the Board;
- (ii) his or her ability to contribute to the discussion conducted by the Board;
- (iii) his or her ability to evaluate the Company's strengths and weaknesses and make informed business decisions;
- (iv) his or her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;
- (v) his or her compliance with the policies and procedures of the Group;
- (vi) his or her performance of specific tasks delegated to him or her;
- (vii) his or her disclosure of any related person transactions or conflicts of interest; and
- (viii) for Independent Directors, his or her independence from the Group and the Management.

Each member of the Nominating Committee abstains from making any recommendation and/or participating in any deliberation of the Nominating Committee and from voting on any resolution in respect of his own performance or re-nomination as a Director.

The Board and the Nominating Committee have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

# STATEMENT OF CORPORATE GOVERNANCE

## 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 Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual Directors, key management and any employee who is related to a Director or substantial shareholder of the Group.

The Remuneration Committee comprises two Independent Directors and the Independent Chairman:

|                   |            |
|-------------------|------------|
| Mr Lim Boon Cheng | (Chairman) |
| Dr Ho Choon Hou   | (Member)   |
| BG Lim Yeow Beng  | (Member)   |

The role of the Remuneration Committee is to review and recommend to the Board a general framework of remuneration for the Board and key management personnel. It also carries out a review of the remuneration of the key management personnel of the Group and any employee of the Group who is related to a Director or substantial shareholder. It reviews and recommends to the Board the specific remuneration packages and service contract terms for the Executive Directors and the key management personnel, as well as the administration and granting of share options or awards in accordance with any share option scheme or performance share plan of the Company. The Remuneration Committee considers all aspects of remuneration, including but not limited to salaries, bonuses, allowances, other benefits-in-kind and termination terms, to ensure that they are fair. No Director or member of the Remuneration Committee is involved in deciding his own remuneration. Each member of the Remuneration Committee abstains from voting on any resolution in respect of his own remuneration package.

The Remuneration Committee may seek professional advice on remuneration matters as and when necessary. The Remuneration Committee ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultant during the financial year under review.

### 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 Remuneration Committee will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages. A significant and appropriate proportion of the Managing Directors' and key management personnel's remuneration is structured so as to link rewards to the Group's and individual performance.

The remuneration of the Managing Director is based on the service agreement entered into between Dr Wong Kar King and the Company on 1 June 2007. The service agreement will be for an initial period of 3 years, effective from 1 June 2007 and renewable thereafter. The terms of the service agreement are reviewed by the Remuneration Committee on an annual basis.

The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Directors' remuneration paid in prior years in exceptional circumstances of mismanagement of financial results, or of misconduct resulting in financial loss, as they owe a fiduciary duty to the Company and the Company should be able to avail itself of remedies against the Executive Director(s) in the event of such breach of fiduciary duties.

The Independent Directors receive directors' fees for serving on the Board and any of the Board Committees. The chairman of the Board or each Board Committee is compensated for his additional responsibilities. Such fees take into account their efforts, time spent, level of contribution and responsibilities as well as the need to pay competitive fees to attract, retain and motivate them. These fees are subject to Shareholders' approval as a quarterly payment in arrears at the AGMs of the Company.

The remuneration policy for key management personnel is based largely on the Company's performance and the responsibilities and performance of each individual key management personnel. The Remuneration Committee reviews and recommends the remuneration packages of key management personnel for the Board's approval.

The remuneration packages for employees who are related to any Director, the Managing Director or substantial shareholder of the Company and the responsibilities and performance of each such related employee are also reviewed. The Remuneration Committee reviews and recommends the remuneration packages of such related employees for the Board's approval.

# STATEMENT OF CORPORATE GOVERNANCE

## 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.**

### Directors of the Company

Provision 8.1 of the Code 2018 requires disclosure of the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (i) each individual director and the CEO; and (ii) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than \$250,000 and in aggregate the total remuneration paid to these key management personnel. The policy and criteria used in setting the level of remuneration is based on various factors including performance of the Group, industry practices and the individual's performance and time commitment, contributions towards achievement of corporate objectives and targets, integrity and accountability.

In respect of the amounts and breakdown of the remuneration, after careful deliberation and taking into consideration the competitive pressures in the talent market, the sensitive and confidential nature of remuneration, the relative size of the Group as well as the competitive business environment in which the Group operates in, the Board has, on review, decided not to disclose the remuneration of the Company's Managing Director. The Board is of the view that the disadvantages which would be caused to the Group's business interest would far outweigh the benefits of such disclosure. The level and mix of remuneration paid to the Managing Director for the financial year ended 31 December 2020 are as follows:

| Executive Director | Remuneration Band           | Salary including CPF | Performance Bonus | Benefits | Total |
|--------------------|-----------------------------|----------------------|-------------------|----------|-------|
| Dr Wong Kar King   | From \$500,001 to \$750,000 | 98%                  | -                 | 2%       | 100%  |

Remuneration paid to non-executive Directors comprised solely directors' fees paid quarterly in arrears and were approved by the shareholders in the AGM held on 30 October 2020. The breakdown of directors' fees paid and/or payable to the non-executive Directors for the financial year ended 31 December 2020 is as follows:

| Non-executive Directors | Directors' Fees (\$) |
|-------------------------|----------------------|
| Mr Lim Boon Cheng       | 60,000               |
| Dr Ho Choon Hou         | 50,000               |
| BG Lim Yeow Beng        | 40,000               |

### Key Management Personnel of the Company

The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (excluding the Managing Director) for the financial year ended 31 December 2020 is \$1,870,000. Details of the remuneration paid to such key management personnel are set out below:

| Key Management Personnel             | Salary including CPF | Performance Bonus | Benefits | Total |
|--------------------------------------|----------------------|-------------------|----------|-------|
| <b><u>\$250,001 to \$500,000</u></b> |                      |                   |          |       |
| Samantha Teo                         | 78%                  | 22%               | -        | 100%  |
| <b><u>Below \$250,000</u></b>        |                      |                   |          |       |
| Stephen McCrae                       | 100%                 | -                 | -        | 100%  |
| Fredy Cheng                          | 77%                  | 23%               | -        | 100%  |
| Quah Kim Teck                        | 77%                  | 23%               | -        | 100%  |
| Yang Xiao Fei                        | 58%                  | 42%               | -        | 100%  |

The Board is of the view that given the sensitive and confidential nature of employees' remuneration and to maintain good morale and a strong team spirit within the Group, detailed disclosure on the remuneration paid to the top key management personnel is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

There are no termination, retirement and post-employment benefits granted to Directors or the key management personnel.

# STATEMENT OF CORPORATE GOVERNANCE

## **Employees who are substantial Shareholders of the Company or are immediate family members of a Director, the Managing Director or substantial Shareholder**

There was no employee who is a substantial shareholder or who is an immediate family member of a Director, the Managing Director or substantial Shareholder of the Company and whose remuneration exceeds \$100,000 for the financial year ended 31 December 2020. The details of the employee who is an immediate family of a Director and her remuneration are as follows:

| Name                 | Designation                                                   | Familial Relationship      | Remuneration Band |
|----------------------|---------------------------------------------------------------|----------------------------|-------------------|
| Wong Swee Yoke Irene | Director and General Manager of Advanced Controls (M) Sdn Bhd | Sister of Dr Wong Kar King | Below \$50,000    |

The Company believes that, taken as a whole, the disclosures on remuneration provided above are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Directors and employees, the Company's remuneration policies, level and mix of remuneration, performance and value creation.

## **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, with the assistance of the Audit Committee, is responsible for the overall governance of risk by ensuring that the Group maintains sound systems of risk management and internal controls. The Audit Committee reviews and makes recommendations to the Board on the adequacy and integrity of those systems on an annual basis.

The Group has implemented a system of internal controls and risk management to safeguard Shareholders' investments and the Company's assets. Proper accounting records are maintained and financial information used for business purposes and for publication is reliable. The controls are designed by the Management and include, among others, the documentation of key procedures and guidelines relating to the delegation of authorities. The external auditors carry out, in the course of their statutory audit, an annual review of the effectiveness of the Group's material internal controls to the extent of their scope as laid out in their audit plan.

In the opinion of the Board, the system of internal controls and risk management maintained by the Management is adequate and effective to meet the needs of the current business environment. However, the Board notes that the review of the Group's system of internal controls and risk management is a continuing process and there is always room for improvement having regard that no system of internal controls or risk management could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, natural disasters, losses, fraud or other irregularities. The system of internal controls and risk management adopted by the Group is therefore designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has received assurances from:

- (a) the Managing Director and the Chief Financial Officer 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 Managing Director and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal controls systems.

Based on the audit reports and management controls in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2020 in its current business environment.

The Board usually appoints an external accounting firm as the internal auditors to perform an internal audit of key entities under an internal audit plan. The external accounting firm must be a suitable and qualified firm of accountants which meets the standards set by the internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors report directly to the Chairman of the Audit Committee on all internal audit matters.

# STATEMENT OF CORPORATE GOVERNANCE

The role of the internal auditors is to support the Audit Committee in ensuring that the Company maintains a sound system of internal controls and risk management. The internal auditors monitor and assess the effectiveness of the key controls and procedures, conduct in-depth audits of high-risk areas and undertake investigation as directed by the Audit Committee. The findings from the reviews and checks on the adequacy of internal controls and risk management are reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management. The Audit Committee approves the hiring, removal, evaluation and compensation of the internal auditors. The Audit Committee ensures that the internal auditors are adequately resourced and have appropriate standing within the Company.

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. To ensure the adequacy of the internal audit function, the Audit Committee meets at least once a year to review the internal audit findings and to approve the annual internal audit plans. The members of the Audit Committee have unrestricted access to the internal auditors on all matters whenever they deem necessary and will meet the internal auditors without the presence of the Management at least once annually.

During FY2020, the Board did not engage any internal auditor due to COVID-19 and most key entities have already been subject to an internal audit in the past three years. In addition, the Company's external auditors carry out, in the course of their statutory audit, a review of the effectiveness of the internal financial controls to the extent of their scope as laid out in the audit plan. The external auditors, during the conduct of their normal audit procedures, may also report on any matters relating to the internal controls. Any non-compliance or recommendation for improvement will be reported to the Audit Committee. The Management will follow up on the auditors' recommendations as part of its role in the review of the Company's internal controls systems. The Company has engaged PKF-CAP Risk Consulting Pte Ltd, an external professional service firm, as the internal auditors to perform an internal audit for the financial year ending 31 December 2021.

The Audit Committee will assess the independence, adequacy and effectiveness of the internal audit function annually. Based on the audit reports and management controls in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2020 in its current business environment.

## **Risk Management (Listing Rule 1204(4)(b)(iv))**

The Board oversees the Group's financial risk management policies. Where there are significant risks in respect of the Group's operations, risk management practices will be put in place to address these risks.

### Financial Risk Management Policies

The Group's principal financial instruments comprise cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. Financial assets that expose the Company to financial risk consist principally of cash and cash equivalents, trade and other receivables. Financial liabilities that expose the Company to financial risk consist principally of trade and other payables and bank borrowings. The carrying amounts of the current financial assets and liabilities carried at amortised cost approximate to their fair values.

The Group's activities are exposed to a variety of financial risks, including the effects of changes in foreign currency rates and interest rates, along with credit and liquidity risks. The Group has adopted risk management policies that seek to mitigate these risks in a cost-effective manner. The Board reviews and approves policies for managing each of these risks and they are summarised on the next page.

### Foreign Currency Risk

The Group's main foreign currency risk exposure results from sales transactions denominated in foreign currencies, primarily in the United States Dollar and Euro. In addition to transactional exposures, the Group is also exposed to foreign exchange movements on its net investment in foreign subsidiaries.

The Group's policy is to manage foreign currency exposure by way of natural hedge and this policy is reviewed quarterly by the Audit Committee. It mitigates foreign currency exposure by striving, where possible, to negotiate sale and purchase transactions in the same currency with counterparties. Exposure to foreign currency risk is monitored on an on-going basis to ensure that net exposure is at an acceptable level by entering into forward contracts as and when necessary.

### Interest Rate Risk

The Group's exposure to changes in interest rates arises primarily from the Group's fixed deposits placed with banks, loans to subsidiaries and bank borrowings.

# STATEMENT OF CORPORATE GOVERNANCE

## Credit Risk

The Group's and the Company's major classes of financial assets are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with banks and financial institutions that are deemed to be reputable and are regulated by a supervisory body. For trade receivables, the Group trades only with recognised and creditworthy counterparties. It is the Group's policy to perform on-going credit evaluation of its customers' financial condition. In addition, receivable balances are monitored on a monthly basis by the Management.

The carrying amount of financial assets represents the maximum credit exposure. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. Therefore, there are no significant concentrations of credit risk within the Group.

## Liquidity Risk

To manage liquidity risk, the Group prepares cashflow projections, and reviews its cash requirement on a regular basis. It maintains a sufficient level of cash and cash equivalents to enable it to meet its normal operating commitments and secures committed funding facilities from financial institutions.

## **Audit Committee**

***Principle 10: The Board has an Audit Committee which discharges its duties objectively.***

The Audit Committee comprises two Independent Directors and the Independent Chairman:

|                   |            |
|-------------------|------------|
| Mr Lim Boon Cheng | (Chairman) |
| Dr Ho Choon Hou   | (Member)   |
| BG Lim Yeow Beng  | (Member)   |

The Audit Committee held five meetings during the financial year ended 31 December 2020. Dr Wong Kar King, the Managing Director attended all five meetings. The Group's external auditors were also present at the relevant junctures during some of these meetings. Separate sessions with the external auditors are also held without the presence of the Management at least annually, to consider any matters which might be raised privately.

The primary responsibility of the Audit Committee is to provide support and assistance to the Board in ensuring that a high standard of corporate governance is maintained at all times. The Audit Committee has full access to all management personnel and has full discretion to invite any Director or executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The responsibilities of the Audit Committee include the following:

- review the Group's financial and operating results and accounting policies;
- review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- review the periodic and annual announcements as well as the related press releases on the result and financial position of the Group;
- review the audit plan of the external auditors;
- review the consolidated financial statements of the Group before submission to the Board together with the external auditors' report on those financial statements;
- review and evaluate at least annually the adequacy and effectiveness of the Group's systems of internal controls and risk management;
- review the adequacy, effectiveness, independence, scope and results of the external audit and the internal audit;
- review and make recommendations to the Board on the re-appointment of external auditors of the Company and the Group;
- review and make recommendations to the Board on the remuneration and terms of engagement of the external auditors;
- review the effectiveness of the internal audit function and ensure co-ordination between the internal and external auditors and the Management;
- review the assurance from the Managing Director and the Chief Financial Officer on the financial records and financial statements;
- review interested person transactions;
- review any potential conflicts of interest;
- review the policy and arrangements for concerns about improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- review and discuss with the external auditors and internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

# STATEMENT OF CORPORATE GOVERNANCE

- undertake such reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- generally undertake such other functions and duties which may be required by statute or the rules of the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

Following discussions with the Management and the external auditors, the Audit Committee has determined that the following areas are the key risks of misstatement of the Group's financial statements. The table below indicates how these matters were discussed and addressed:

| Significant Matter                                                           | How the Matter was Addressed by the Audit Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Contract Revenue Recognition                                              | The Audit Committee reviewed the Management's approach to the recognition of contract income which involved the Management's assessment to the estimation of the stage of completion, profitability and total cost to complete for individual contracts. The Audit Committee reviewed the basis on which the revenue of the contracts had been recognized and concurred with the Management's judgements on the amounts involved. See Note 3.2(b) to the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| b. Impairment Assessment of Long-Lived Assets and Investment in Subsidiaries | <p>The Audit Committee reviewed the Management's approach to assess the impairment of long-lived assets which involved determining the recoverable amounts based on either value-in-use computation or fair value less cost of disposal ("FVLCD") model. The FVLCD model involves engaging an independent valuer in estimating the market value of these assets. The Audit Committee reviewed the basis on which the valuation is performed and concurred with the Management's judgements on the amount involved. See Notes 10, 11, 12 and 15 to the financial statements.</p> <p>The Audit Committee reviewed the Management's approach to assess the carrying value of investments in subsidiaries which involved determining the recoverable amounts based on either discounted cashflow projections or the FVLCD model. The Audit Committee reviewed the basis on which the valuation is performed and adjustment had been made to the carrying value and concurred with the Management's judgements on the amount involved. See Note 14 to the financial statements.</p> |

The external auditors have included the above significant matters as key audit matters in their audit report for the financial year ended 31 December 2020 together with a detailed description of the audit procedures adopted (refer to pages 48 to 51 of this Annual Report).

The Board is of the view that all the members of the Audit Committee collectively have relevant accounting or related financial management expertise and are appropriately qualified to discharge their responsibilities. The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors. The Audit Committee does not comprise former partners or directors of the Company's existing auditing firm within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm and for as long as they have any financial interest in the auditing firm.

The Company has also set in place whistle-blowing procedures pursuant to which staff of the Group may, in confidence or anonymously, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by the Managing Director who will report directly to the Chairman of the Audit Committee on all such matters raised. The procedures for submission of complaints have been explained to all employees of the Group. Following investigation and evaluation of a complaint, the Audit Committee will then decide on recommended disciplinary or remedial action, if any. The action so determined by the Audit Committee to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation, respectively.

The Audit Committee has reviewed the work performed by the external auditors, Ernst & Young LLP, after taking into consideration the relevant guidelines issued to the Audit Committees by the SGX-ST and/or the Singapore Accounting & Corporate Regulatory Authority.

# STATEMENT OF CORPORATE GOVERNANCE

After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the Group's size and structure, the Audit Committee and the Board are of the view that Ernst & Young LLP has been able to assist the Company in meeting its audit obligations and the Company is in compliance with Rule 712 of the Listing Manual.

Ernst & Young LLP is the Company's current external auditors and was appointed since 30 October 2020. In accordance with Rule 1207(6) of the Listing Manual, the audit fees payable to Ernst & Young LLP for their audit and non-audit services for the financial year ended 31 December 2020 are \$173,000 and \$13,000 respectively.

The Audit Committee is satisfied with the independence and objectivity of the external auditors. The Audit Committee has conducted an annual review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

The Company engages different audit firms for its subsidiaries or significant associated companies and the names of these audit firms are disclosed on Page 102 of this Annual Report. The Board and Audit Committee have reviewed the appointments of these audit firms and are of the view that the appointments of these other audit firms do not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company is in compliance with Rule 715 (when read with Rule 716) and Rule 717 of the Listing Manual.

## 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.***

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Shareholder meetings are the principal forum for communication with Shareholders. Annual Reports and notices of the AGMs or any other Shareholder meetings (as the case may be) are sent to all Shareholders at least 14 days before the scheduled date of such meeting. The external auditors and the chairpersons of all the Board Committees are present to assist the Directors in addressing any relevant queries raised by the Shareholders. Appropriate management personnel are also present at general meetings to respond, if necessary, to operational questions from Shareholders. All Directors attended the AGM of the Company held during FY2020.

A Shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies. The Constitution of the Company allows Shareholders to attend and vote at general meetings of the Company by proxies. A Shareholder of the Company may appoint up to two proxies to attend and vote on behalf of the Shareholder at shareholder meetings, save that no limit shall be imposed on the number of proxies for Shareholders that are nominee companies.

Resolutions to be passed at general meetings are always separate and distinct on each substantially separate issue so that Shareholders are better able to exercise their right to approve or deny the issue or motion, unless the issues are interdependent and linked so as to form one significant proposal.

At the general meetings, Shareholders are given the opportunity to voice their views, raise their concerns with the Directors or question the Management on matters relating to the Group and its operations. There is an open question and answer session at each AGM during which Shareholders may raise questions or share their views regarding the proposed resolutions and the Company's business and affairs.

Votes at all Shareholder meetings are taken by poll so that Shareholders are accorded rights proportionate to their shareholding and all votes are counted. The procedures of the poll will be explained by the appointed scrutineers at the general meeting prior to the taking of the poll.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and the Management, and such minutes will be published on the Company's corporate website as soon as practicable. Results of the general meeting are also released as an announcement via SGXNET.

# STATEMENT OF CORPORATE GOVERNANCE

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. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to Shareholders via announcements released on SGXNET.

## 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 Board places great emphasis on investor relations with the Company to maintain a high standard of transparency so as to promote better investor communications. The Board is mindful of the obligations to provide timely disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST. All material information and financial results are released through SGXNET and where appropriate, through media releases.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. All press releases to explain the Group's strategy, performance and major developments are also made available on SGXNET.

In presenting the annual and periodic financial statements to Shareholders, it is the aim of the Board to provide a detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects. In addition, the Company will also release timely announcements and news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Company is committed to regular and proactive communication with its shareholders in line with continuous disclosure obligations of the Company under the Listing Manual of the SGX-ST. Pertinent information will be disclosed to Shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price and/or trade sensitive information is first publicly released before the Company meets with any group of investors or analysts.

The Company does not have an investor relations policy but maintains a website ([www.AdvancedHoldings.com](http://www.AdvancedHoldings.com)) which allows the public to be aware of the Group's latest development and businesses. Shareholders can provide feedback to the Company via email to the electronic mail address or via mail to the registered office address. Calls and emails requesting information are generally attended to promptly, taking into consideration the fact that key management personnel may need to consult with the Board or any of the Company's relevant advisors before communicating or disseminating certain information.

## 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 Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, customers, community, government and regulators, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

Please refer to the Sustainability Report of the Company for more details on the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the financial year ended 31 December 2020.

As mentioned above, the Company maintains a website ([www.AdvancedHoldings.com](http://www.AdvancedHoldings.com)), which allows the stakeholders to communicate and engage with the Company.

# STATEMENT OF CORPORATE GOVERNANCE

## SUMMARY OF DISCLOSURES – CORPORATE GOVERNANCE

Rule 710 of the Listing Manual requires Singapore-listed companies to describe their corporate governance practices with specific reference to the Code of Corporate Governance issued on 6 August 2018 (the “Code 2018”) in their annual reports for the financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code 2018.

| Board Matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Remuneration Matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Shareholder Rights and Responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>The Board's Conduct of Affairs</b><br><u>Principle 1</u><br><br>Provision 1.1      Page 21<br>Provision 1.2      Page 22<br>Provision 1.3      Page 22<br>Provision 1.4      Page 21<br>Provision 1.5      Page 22<br>Provision 1.6      Page 23<br>Provision 1.7      Page 23<br><br><b>Board Composition and Guidance</b><br><u>Principle 2</u><br><br>Provision 2.1      Page 23<br>Provision 2.2      Page 23<br>Provision 2.3      Page 23<br>Provision 2.4      Page 24<br>Provision 2.5      Page 24<br><br><b>Chairman and Chief Executive Officer</b><br><u>Principle 3</u><br><br>Provision 3.1      Page 24<br>Provision 3.2      Page 24<br>Provision 3.3      Page 24<br><br><b>Board Membership</b><br><u>Principle 4</u><br><br>Provision 4.1      Page 24, 25<br>Provision 4.2      Page 24<br>Provision 4.3      Page 25<br>Provision 4.4      Page 25<br>Provision 4.5      Page 25<br><br><b>Board Performance</b><br><u>Principle 5</u><br><br>Provision 5.1      Page 25<br>Provision 5.2      Page 27 | <b>Procedures for Developing Remuneration Policies</b><br><u>Principle 6</u><br><br>Provision 6.1      Page 28<br>Provision 6.2      Page 28<br>Provision 6.3      Page 28<br>Provision 6.4      Page 28<br><br><b>Level and Mix of Remuneration</b><br><u>Principle 7</u><br><br>Provision 7.1      Page 28<br>Provision 7.2      Page 28<br>Provision 7.3      Page 28<br><br><b>Disclosure on Remuneration</b><br><u>Principle 8</u><br><br>Provision 8.1      Page 28, 29<br>Provision 8.2      Page 30<br>Provision 8.3      Page 29<br><br><b>Accountability and Audit Risk Management and Internal Controls</b><br><u>Principle 9</u><br><br>Provision 9.1      Page 30, 31, 32<br>Provision 9.2      Page 30<br><br><b>Audit Committee</b><br><u>Principle 10</u><br><br>Provision 10.1      Page 32, 33<br>Provision 10.2      Page 32, 33<br>Provision 10.3      Page 33<br>Provision 10.4      Page 30, 31<br>Provision 10.5      Page 31, 32 | <b>Shareholder Rights and Conduct of General Meetings</b><br><u>Principle 11</u><br><br>Provision 11.1      Page 34<br>Provision 11.2      Page 34<br>Provision 11.3      Page 34<br>Provision 11.4      Page 34<br>Provision 11.5      Page 34<br>Provision 11.6      Page 35<br><br><b>Engagement with Shareholders</b><br><u>Principle 12</u><br><br>Provision 12.1      Page 35<br>Provision 12.2      Page 35<br>Provision 12.3      Page 35<br><br><b>Managing Stakeholders Relationships</b><br><b>Engagement with Stakeholders</b><br><u>Principle 13</u><br><br>Provision 13.1      Page 35<br>Provision 13.2      Page 35<br>Provision 13.3      Page 35 |

# STATEMENT OF CORPORATE GOVERNANCE

## ADDITIONAL INFORMATION

### INTERESTED PERSON TRANSACTIONS (Listing Rule 907)

The Company has established internal control policies to ensure transactions with interested persons are properly reviewed and approved, and are conducted on an arm's length basis.

If the Company does enter into an interested person transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board.

There were no interested person transactions ("IPTs") that were more than \$100,000 during the financial year ended 31 December 2020. IPTs are disclosed on Page 129 of this Annual Report.

### SECURITIES TRANSACTIONS

The Board has in place a policy on share dealings. All Directors, officers and staff of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares during the period commencing one month before the announcement of the Group's half year and full year results, and ending on the date of the announcement of such results. All Directors, officers and staff of the Group are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the policy discourages trading in the Company's securities on short term considerations. The Company does not have a share buyback plan and therefore does not deal in its own shares.

### MATERIAL CONTRACTS (Listing Rule 1207(8))

There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Managing Director or any Director or Controlling Shareholders.

### DISCLOSURE OF PERSON OCCUPYING A MANGERIAL POSITION IN THE ISSUER OR ANY OF ITS PRINCIPAL SUBSIDIARIES WHO IS A RELATIVE OF A DIRECTOR OR CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER OF THE ISSUER PURSUANT TO RULE 704(13)

| Name              | Age | Family relationship with any director and/or substantial shareholder                       | Current position and duties, and the year the position was held               | Details of changes in duties and position held, if any, during the year       |
|-------------------|-----|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Ms Wong Swee Yoke | 60  | Sister to Dr Wong Kar King, Managing Director and a substantial shareholder of the Company | Appointed as Director of Nil Advanced Controls (M) Sdn Bhd on 11 August 1997. | Appointed as General Manager for Advanced Controls (M) Sdn Bhd on 1 May 2006. |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Dr Wong Kar King and Dr Ho Choon Hou are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on April 30, 2021 (“**AGM**”) (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

| <b>DR WONG KAR KING</b>                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of Appointment                                                                                                                                                                                                   | 19 February 2004<br>23 March 2004 (date of appointment as Managing Director)                                                                                                                                                                                                                                                                                                                                                                       |
| Dates of last re-appointment                                                                                                                                                                                          | 30 October 2020                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Age                                                                                                                                                                                                                   | 59                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Country of principal residence                                                                                                                                                                                        | Singapore                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)                                                                                             | The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualifications, work experience and suitability of Dr Wong Kar King for re-appointment as Managing Director. The Board has reviewed and concluded that Dr Wong Kar King possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. |
| Whether appointment is executive, and if so, the area of responsibility                                                                                                                                               | Executive; responsible for the overall management and operation of the business, in addition to formulating business strategies poised at spearheading the Group's growth forward.                                                                                                                                                                                                                                                                 |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)                                                                                                                                                                 | Managing Director                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Professional qualifications                                                                                                                                                                                           | Bachelor Degree in Engineering (First Class Honours), Queen's University of Belfast<br>Doctorate in Engineering, Queen's University of Belfast                                                                                                                                                                                                                                                                                                     |
| Working experience and occupation(s) during the past 10 years                                                                                                                                                         | Managing Director of Advanced Holdings Ltd. and director of the subsidiaries                                                                                                                                                                                                                                                                                                                                                                       |
| Shareholding interest in the Company and its subsidiaries                                                                                                                                                             | 41,402,109 shares in the capital of the Company as at 22 March 2021                                                                                                                                                                                                                                                                                                                                                                                |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Conflict of Interest (including any competing business)                                                                                                                                                               | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company                                                                                                               | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## DR WONG KAR KING

Other Principal Commitments\*

Including Directorships (for the last 5 years)

\*\*"Principal Commitments" has the same meaning as defined in the Code 2018.

Past:

Director of Applied Engineering Pte Ltd

Director of Advanced Resources Holdings Pte. Ltd.

Director of Advanced Water Engineering Pte. Ltd.

Director of Applied Shipyard Pte. Ltd.

Director of Guided Wave Asia Pte. Ltd.

Present:

Director and shareholder of Greenphyto Pte. Ltd.

Director and shareholder of Green Manor Hotels & Properties Sdn Bhd

Director and shareholder of Manor Properties Group (M) Sdn Bhd

Director of Advanced CAE Pte. Ltd.

Director of Advanced Controls Pte Ltd

Director of Advanced Environmental Technologies Pte. Ltd.

Director of Advanced Engineering Holdings Pte. Ltd.

Director of Advanced China Ventures Pte. Ltd.

## Other Information

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |    |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?                                                                                                                                                                                                                                                                                                                             | No |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| (c) | Whether there is any unsatisfied judgment against him?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?                                                                                                                                                                                                                                                                                                                                            | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?                                                                                                                                                                                                                                                                            | No |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?                                                                                    | No |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | No |
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?                                                                                                                                                                                                                                                                                                                                                                                      | No |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?                                                                                                                                                                                                                                                                                                                                                                                                               | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## DR WONG KAR KING

- (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– No
- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

In connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

- (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? No

## Prior Experience

Any prior experience as a director of a listed company?

Dr Wong Kar King has been the Managing Director of the Company for more than 17 years.

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| <b>DR HO CHOON HOU</b>                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of Appointment                                                                                                                                                                                                   | 4 January 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Dates of last re-appointment                                                                                                                                                                                          | 30 April 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Age                                                                                                                                                                                                                   | 48                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Country of principal residence                                                                                                                                                                                        | Singapore                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)                                                                                             | The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualifications, work experience and suitability of Dr Ho Choon Hou for re-appointment as Independent Director, and as the Chairman of the Nominating Committee and a member of each of the Audit Committee and Remuneration Committee. The Board has reviewed and concluded that Dr Ho Choon Hou possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board and the relevant Board Committees. |
| Whether appointment is executive, and if so, the area of responsibility                                                                                                                                               | Managing Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)                                                                                                                                                                 | Independent Director; Chairman of the Nominating Committee; Member of the Audit Committee; Member of the Remuneration Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Professional qualifications                                                                                                                                                                                           | Bachelor of Medicine and Bachelor of Surgery, University of Sheffield<br><br>Master of Medicine (Surgery), National University of Singapore<br><br>Master of Business Administration (Honours), The University of Chicago (The Graduate School of Business)                                                                                                                                                                                                                                                                                                                                                   |
| Working experience and occupation(s) during the past 10 years                                                                                                                                                         | Principal, Southern Capital Group Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Shareholding interest in the Company and its subsidiaries                                                                                                                                                             | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Conflict of Interest (including any competing business)                                                                                                                                                               | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company                                                                                                               | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## DR HO CHOON HOU

Other Principal Commitments\*

Including Directorships (for the last 5 years)

\*"Principal Commitments" has the same meaning as defined in the Code 2018.

Past:

Non-Executive Director of Stemlife Berhad

Present:

Principal at Southern Capital Group Limited

Vice Chairman and Independent Director of Cordlife Group Limited

Chairman and Independent Director of Vividthree Holdings Ltd.

Independent Director of Mclean Technologies Berhad

Non-Executive Director of Agricore Global Pte. Ltd.

Non-Executive Director of Hoch Ventures Pte. Ltd.

Non-Executive Director of Catermas Engineering Private Limited

Non-Executive Director of Core Equipment Holdings Pte. Ltd.

Non-Executive Director of Fuelcore Pte. Ltd.

Non-Executive Director of SCG+ Private Limited

Non-Executive Director of Southern Star Gourmet Pte. Ltd.

Non-Executive Director of Star Learners Group Pte. Ltd.

Non-Executive Director of Straits Group Pte. Ltd.

Non-Executive Director of Catermas Investments Limited

Non-Executive Director of Invictus Medical Investments

Non-Executive Director of Maestro Group Holdings Limited

## Other Information

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |    |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?                                                                                                                                                                                                                                                                                                                             | No |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| (c) | Whether there is any unsatisfied judgment against him?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?                                                                                                                                                                                                                                                                                                                                            | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?                                                                                                                                                                                                                                                                            | No |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?                                                                                    | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## DR HO CHOON HOU

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

## Prior Experience

Any prior experience as a director of a listed company?

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

Yes, Dr Ho Choon Hou has been an Independent Director of the Company for more than 8 years. He is an Independent Director of Cordlife Group Limited, a company listed on the Mainboard of the SGX-ST, Independent Director of Vividthree Holdings Ltd., a company listed on the Catalist of the SGX-ST, and Independent Director of Mclean Technologies Berhad, a company listed on Bursa Malaysia.



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| Proxy From |  |
|------------|--|

# DIRECTORS' STATEMENT

The directors are pleased to present their statement together with the audited consolidated financial statements of Advanced Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

## Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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.

## Directors

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

Dr Wong Kar King  
Mr Lim Boon Cheng  
Dr Ho Choon Hou  
BG Lim Yeow Beng

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

| Name of directors and company<br>in which interests is held | Shareholdings registered<br>in name of director |                       | Shareholdings in which directors are<br>deemed to have an interest |                       |
|-------------------------------------------------------------|-------------------------------------------------|-----------------------|--------------------------------------------------------------------|-----------------------|
|                                                             | At beginning<br>of the year                     | At end<br>of the year | At beginning<br>of the year                                        | At end<br>of the year |

### Advanced Holdings Ltd.

(Ordinary shares)

|                  |            |            |   |   |
|------------------|------------|------------|---|---|
| Dr Wong Kar King | 41,402,109 | 41,402,109 | — | — |
|------------------|------------|------------|---|---|

By virtue of Section 7 of the Singapore Companies Act, Dr Wong Kar King is deemed to have an interest in the shares of all the related corporations of the Company.

The directors' interests in the ordinary shares of the Company as at 21 January 2021 were the same at 31 December 2020.

## Share options

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

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

# DIRECTORS' STATEMENT

## Audit Committee

The Audit Committee of the Company, comprising all independent directors, is chaired by Mr Lim Boon Cheng, and includes Dr Ho Choon Hou and BG Lim Yeow Beng. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and independent and internal auditors of the Company:

- (a) the audit plans of the internal auditors of the Group and the Company and ensured the adequacy of the Group's system of internal accounting controls and the co-operation given by the Company's management to the independent and internal auditors;
- (b) the Group's financial and operating results and accounting policies;
- (c) the periodic and annual announcements on the results and financial position of the Group and the Company before their submission to the Board of Directors;
- (d) the annual audit plan of the Company's independent auditor and the results of their examination of the financial information of the Company, the consolidated financial statements of the Group and the independent auditor's report on those financial statements before their submission to the Board of Directors;
- (e) effectiveness of the material internal controls of the Group, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- (f) met with the independent auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (g) 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;
- (h) the cost effectiveness and the independence and objectivity of the independent auditors;
- (i) the nature and extent of non-audit services provided by the independent auditors;
- (j) recommended to the Board of Directors the independent auditors to be nominated, approved the compensation of the independent auditors and reviewed the scope and results of the audit;
- (k) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considers appropriate; and
- (l) reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The independent and internal auditors have unrestricted access to the Audit Committee.

# DIRECTORS' STATEMENT

## Auditors

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

On behalf of the board of directors:

.....  
Dr Wong Kar King  
Director

.....  
Mr Lim Boon Cheng  
Director

Singapore

7 April 2021

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ADVANCED HOLDINGS LTD.

## Report on the audit of the financial statements

### Opinion

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

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

### Other matter

The financial statements of the Group and the Company for the year ended 31 December 2019 were audited by other auditors whose report dated 15 October 2020 expressed an unqualified opinion on the financial statements.

### Key audit matters

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

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

#### Contract revenue recognition

24% of the Group's revenue relate to contracts with customers to provide system integration solutions that are recognised over-time by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by reference to the proportion of total costs incurred at the balance sheet date compared to management's budgeted total contract cost (the "input method").

Significant management judgement is required for the estimation of each contract's stage of completion, total cost required for completion, and assessing the risk of onerous contracts. The operational disruptions caused by the COVID-19 pandemic have also heightened the uncertainties in making these assessments. Accordingly, we have determined this to be a key audit matter.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF ADVANCED HOLDINGS LTD.

Our audit procedures included the following:

- Obtained an understanding of the Group's internally established methods and processes for recognising contract revenue and tested key internal controls over the revenue recognition process.
- Evaluated management's estimates and assumptions used in recognizing revenue for individually significant contracts and contracts for projects subject to higher uncertainties such as those where a large portion of materials and services are provided by external vendors, those having significant changes to budgeted cost, and those affected by delays and cost escalations due to operational disruptions from the COVID-19 pandemic.
- Reviewed the key terms and conditions of selected contracts including related amendments and variation options that can impact the recognition of contract revenue, cost of sales and foreseeable losses.
- Evaluated management's computations and application of the input method used in determining the stage of completion of the contracts by reviewing the actual costs incurred up to the balance sheet date, its relationship to the extent of progress towards completion, and the current estimated costs to complete the projects.
- Discussed with management and relevant project managers to understand the progress of the projects, reasons for budgeted cost variances, risks of project delays and onerous contracts and reviewed external evidence such as project acceptance documentation and correspondences with customers and contractors.
- Assessed the adequacy of the Group's disclosures on contract revenue recognition and associated estimation uncertainty made in Notes 3.2(b), 7 and 26 to the financial statements.

### ***Impairment assessments of long-lived assets and investment in subsidiaries***

The Group has significant long-lived assets including property, plant and equipment, right-of-use assets, goodwill on consolidation and an investment in associate belonging to four cash generating units ("CGUs") as at 31 December 2020 which are disclosed in Notes 10, 11, 12 and 15 to the financial statements. The Company has investments in subsidiaries that represents approximately 69% of its total assets which are disclosed in Note 14 to the financial statements.

Management has identified a combination of impairment and impairment reversal indicators for the Advanced CAE CGU, Agricore Global ("Agricore") CGU that is an associate, as well as the Company's investments in Advanced Engineering Holdings Pte Ltd ("AEH") and Advanced Environmental Technologies Pte Ltd ("AET"). Management has estimated their recoverable amounts based on value in use ("VIU") and fair value less costs of disposal ("FVLCD") as at 31 December 2020. Pursuant to the impairment assessments, the Group recognised a reversal of impairment of \$105,000 for Agricore, while the Company recognised total reversal of impairment of \$4,840,000 in relation to AEH and AET for the year ended 31 December 2020.

Significant management judgment is required in the identification of impairment and impairment reversal indicators and in estimating recoverable amounts which are affected by management's forecast of future cash flows and market prices of comparable assets. The economic uncertainties arising from the COVID-19 pandemic has further elevated the level of estimation uncertainty involved. Accordingly, we have identified the impairment assessments as a key audit matter.

Our audit procedures included the following:

- Obtained an understanding of management's methodology and process to determine the carrying amount and recoverable amount of the CGUs and investments in subsidiaries.
- Evaluated management's identification of relevant impairment and impairment reversal indicators.
- In respect of the estimation of VIU:
  - o Checked that the cash flow projections are based on approved management budgets.
  - o Evaluated key assumptions applied in the cash flow forecasts such as revenue, profit margins and growth rate, taking into consideration past performance and budget variances, our knowledge of the business operations and the relevant industry data.
  - o Reviewed management's sensitivity analyses for possible changes to key assumptions, including those arising from the uncertain economic environment.
  - o Involved our internal valuation specialist to assist us in evaluating the reasonableness of the discount rate and terminal growth rate applied.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF ADVANCED HOLDINGS LTD.

- In respect of the estimation of FVLCD:
  - Evaluated the objectivity, independence and competence of the independent valuer engaged by management.
  - Discussed with management and the independent valuer and obtained assistance from our internal valuation specialist to understand and evaluate the appropriateness of the valuation methodology applied, and key inputs and assumptions used such as market data, observable prices of comparable assets and adjustments made for location, size, and condition of the asset.
- Reviewed the adjustments made for the effects of liabilities, cash and non-operating assets to determine the recoverable amount of investments in an associate and subsidiaries.
- Reviewed management's quantification of the reversals of impairment and their analyses of the changes in estimates leading to the reversals.
- Assessed the adequacy of the Group's and Company's disclosures on the impairment assessments and associated estimation uncertainty made in Notes 3.2(d), 10, 11, 12, 14 and 15 to the financial statements.

### Other information

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

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

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

### Responsibilities of management and directors for the financial statements

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

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

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

### 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 skepticism 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ADVANCED HOLDINGS LTD.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationship 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 Adrian Koh.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

7 April 2021

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| Note                                                                    | Group      |            |          | Company    |            |        |
|-------------------------------------------------------------------------|------------|------------|----------|------------|------------|--------|
|                                                                         | 31.12.2020 | 31.12.2019 | 1.1.2019 | 31.12.2020 | 31.12.2019 |        |
|                                                                         | \$'000     | \$'000     | \$'000   | \$'000     | \$'000     |        |
|                                                                         |            | (Restated) |          |            |            |        |
| ASSETS                                                                  |            |            |          |            |            |        |
| Current assets                                                          |            |            |          |            |            |        |
| Cash and bank balances                                                  | 4          | 31,548     | 16,161   | 33,355     | 2,859      | 4,333  |
| Trade receivables                                                       | 5          | 12,495     | 11,207   | 11,563     | –          | –      |
| Other receivables and prepayments                                       | 6          | 2,404      | 3,180    | 2,827      | 9,293      | 7,045  |
| Contract assets                                                         | 7          | 3,686      | 10,376   | 4,891      | 466        | 735    |
| Inventories                                                             | 8          | 6,799      | 7,554    | 6,650      | –          | –      |
|                                                                         |            | 56,932     | 48,478   | 59,286     | 12,618     | 12,113 |
| Assets classified as held for sale                                      | 9          | –          | 12,365   | –          | –          | –      |
| Total current assets                                                    |            | 56,932     | 60,843   | 59,286     | 12,618     | 12,113 |
| Non-current assets                                                      |            |            |          |            |            |        |
| Property, plant and equipment                                           | 10         | 14,259     | 17,437   | 22,888     | 237        | 277    |
| Right-of-use assets                                                     | 11         | 3,786      | 4,617    | 1,200      | –          | –      |
| Goodwill on consolidation                                               | 12         | 176        | 176      | 176        | –          | –      |
| Intangible assets                                                       | 13         | –          | –        | 25         | –          | –      |
| Investments in subsidiaries                                             | 14         | –          | –        | –          | 37,750     | 32,910 |
| Investments in associates                                               | 15         | 3,932      | 4,247    | 279        | 4,000      | 4,000  |
| Investments in joint ventures                                           | 16         | –          | –        | 1,702      | –          | –      |
| Deferred tax assets                                                     | 17         | 353        | 314      | 156        | –          | –      |
| Total non-current assets                                                |            | 22,506     | 26,791   | 26,426     | 41,987     | 37,187 |
| Total assets                                                            |            | 79,438     | 87,634   | 85,712     | 54,605     | 49,300 |
| LIABILITIES AND EQUITY                                                  |            |            |          |            |            |        |
| Current liabilities                                                     |            |            |          |            |            |        |
| Bank borrowings                                                         | 18         | 1,486      | 5,511    | 1,180      | 156        | –      |
| Trade and other payables                                                | 19         | 12,446     | 15,457   | 10,604     | 15,734     | 14,907 |
| Contract liabilities                                                    | 7          | 7,836      | 8,704    | 8,188      | –          | –      |
| Lease liabilities                                                       | 20         | 173        | 433      | –          | –          | –      |
| Provision for warranty                                                  | 21         | 146        | 175      | 337        | –          | –      |
| Income tax payable                                                      |            | 480        | 351      | 955        | 4          | 11     |
|                                                                         |            | 22,567     | 30,631   | 21,264     | 15,894     | 14,918 |
| Liabilities directly associated with assets classified as held for sale | 9          | –          | 7,109    | –          | –          | –      |
| Total current liabilities                                               |            | 22,567     | 37,740   | 21,264     | 15,894     | 14,918 |

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| Note                                                   | Group      |                      |               | Company       |               |
|--------------------------------------------------------|------------|----------------------|---------------|---------------|---------------|
|                                                        | 31.12.2020 | 31.12.2019           | 1.1.2019      | 31.12.2020    | 31.12.2019    |
|                                                        | \$'000     | \$'000<br>(Restated) | \$'000        | \$'000        | \$'000        |
| <b>Non-current liabilities</b>                         |            |                      |               |               |               |
| Bank borrowings                                        | 18         | 8,301                | –             | 7,611         | 2,344         |
| Other payables                                         | 19         | –                    | 5,000         | –             | 5,000         |
| Lease liabilities                                      | 20         | 2,520                | 3,136         | –             | –             |
| Deferred tax liabilities                               | 17         | 10                   | 30            | 9             | –             |
| Total non-current liabilities                          |            | 10,831               | 8,166         | 7,620         | 2,344         |
| <b>Capital, reserves and non-controlling interests</b> |            |                      |               |               |               |
| Share capital                                          | 22         | 47,433               | 47,433        | 47,433        | 47,433        |
| Treasury shares                                        | 23         | (1,837)              | (1,837)       | (1,837)       | (1,837)       |
| Foreign currency translation reserve                   | 24         | 337                  | (170)         | (67)          | –             |
| General reserve                                        | 25         | 1,561                | 1,561         | 1,495         | –             |
| (Accumulated losses)/ retained earnings                |            | (1,539)              | (4,340)       | 10,756        | (9,229)       |
| Equity attributable to owners of the Company           |            | 45,955               | 42,647        | 57,780        | 36,367        |
| Non-controlling interests                              |            | 85                   | (919)         | (952)         | –             |
| Total equity                                           |            | 46,040               | 41,728        | 56,828        | 36,367        |
| <b>Total liabilities and equity</b>                    |            | <b>79,438</b>        | <b>87,634</b> | <b>85,712</b> | <b>54,605</b> |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|                                                                                     | Note | 2020<br>\$'000 | 2019<br>\$'000 |
|-------------------------------------------------------------------------------------|------|----------------|----------------|
| <b>Revenue</b>                                                                      | 26   | 59,137         | 91,156         |
| Cost of sales                                                                       |      | (47,258)       | (70,225)       |
| <b>Gross profit</b>                                                                 |      | 11,879         | 20,931         |
| Other operating income                                                              | 27   | 2,652          | 1,154          |
| Distribution and marketing costs                                                    |      | (5,413)        | (8,688)        |
| Administrative expenses                                                             |      | (11,031)       | (11,800)       |
| Other operating expenses                                                            | 28   | (1,760)        | (2,705)        |
| Other gains and (losses), net                                                       | 29   | 7,376          | (12,433)       |
| Finance costs                                                                       | 30   | (318)          | (433)          |
| Share of results of associates and joint ventures                                   |      | (76)           | (732)          |
| <b>Profit/(loss) before taxation</b>                                                | 31   | 3,309          | (14,706)       |
| Income tax expense                                                                  | 32   | (245)          | (37)           |
| <b>Profit/(loss) for the year</b>                                                   |      | 3,064          | (14,743)       |
| <b>Other comprehensive income</b>                                                   |      |                |                |
| <i>Items that may be reclassified subsequently to profit or loss:</i>               |      |                |                |
| Exchange differences on translation of foreign operations                           |      | 527            | (67)           |
| Realisation of foreign currency translation differences on disposal of a subsidiary |      | (44)           | –              |
| <b>Total comprehensive income for the year</b>                                      |      | 3,547          | (14,810)       |
| <b>Profit/(loss) attributable to:</b>                                               |      |                |                |
| Owners of the Company                                                               |      | 2,801          | (14,880)       |
| Non-controlling interests                                                           |      | 263            | 137            |
|                                                                                     |      | 3,064          | (14,743)       |
| <b>Total comprehensive income attributable to:</b>                                  |      |                |                |
| Owners of the Company                                                               |      | 3,308          | (14,983)       |
| Non-controlling interests                                                           |      | 239            | 173            |
|                                                                                     |      | 3,547          | (14,810)       |
| <b>Earnings/(losses) per share (cents)</b>                                          |      |                |                |
| Basic and diluted                                                                   | 33   | 2.77           | (14.69)        |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|                                                    | Share<br>capital<br>(Note 22) | Treasury<br>shares<br>(Note 23) | Foreign<br>currency<br>translation<br>reserve<br>(Note 24) | General<br>reserve<br>(Note 25) | Accumulated<br>losses | Attributable<br>to equity<br>holders of<br>the Company | Non-<br>controlling<br>interests | Total<br>equity |
|----------------------------------------------------|-------------------------------|---------------------------------|------------------------------------------------------------|---------------------------------|-----------------------|--------------------------------------------------------|----------------------------------|-----------------|
|                                                    | \$'000                        | \$'000                          | \$'000                                                     | \$'000                          | \$'000                | \$'000                                                 | \$'000                           | \$'000          |
| <b>Group</b>                                       |                               |                                 |                                                            |                                 |                       |                                                        |                                  |                 |
| <b>2020</b>                                        |                               |                                 |                                                            |                                 |                       |                                                        |                                  |                 |
| <b>Balance as at<br/>1 January 2020</b>            | 47,433                        | (1,837)                         | (170)                                                      | 1,561                           | (4,340)               | 42,647                                                 | (919)                            | 41,728          |
| Profit for the year                                | –                             | –                               | –                                                          | –                               | 2,801                 | 2,801                                                  | 263                              | 3,064           |
| Other comprehensive<br>income for the year         | –                             | –                               | 507                                                        | –                               | –                     | 507                                                    | (24)                             | 483             |
| <b>Total comprehensive<br/>income for the year</b> | –                             | –                               | 507                                                        | –                               | 2,801                 | 3,308                                                  | 239                              | 3,547           |
| <u>Others</u>                                      |                               |                                 |                                                            |                                 |                       |                                                        |                                  |                 |
| Disposal of a subsidiary                           | –                             | –                               | –                                                          | –                               | –                     | –                                                      | 765                              | 765             |
| <b>Total others</b>                                | –                             | –                               | –                                                          | –                               | –                     | –                                                      | 765                              | 765             |
| <b>Balance as at<br/>31 December 2020</b>          | 47,433                        | (1,837)                         | 337                                                        | 1,561                           | (1,539)               | 45,955                                                 | 85                               | 46,040          |
| <b>2019</b>                                        |                               |                                 |                                                            |                                 |                       |                                                        |                                  |                 |
| <b>Balance as at<br/>1 January 2019</b>            | 47,433                        | (1,837)                         | (67)                                                       | 1,495                           | 10,756                | 57,780                                                 | (952)                            | 56,828          |
| (Loss)/profit for the year                         | –                             | –                               | –                                                          | –                               | (14,880)              | (14,880)                                               | 137                              | (14,743)        |
| Other comprehensive<br>income for the year         | –                             | –                               | (103)                                                      | –                               | –                     | (103)                                                  | 36                               | (67)            |
| <b>Total comprehensive<br/>income for the year</b> | –                             | –                               | (103)                                                      | –                               | (14,880)              | (14,983)                                               | 173                              | (14,810)        |
| <u>Others</u>                                      |                               |                                 |                                                            |                                 |                       |                                                        |                                  |                 |
| Acquisition of<br>non-controlling interest         | –                             | –                               | –                                                          | –                               | (150)                 | (150)                                                  | (140)                            | (290)           |
| Appropriation to general<br>reserve                | –                             | –                               | –                                                          | 66                              | (66)                  | –                                                      | –                                | –               |
| <b>Total others</b>                                | –                             | –                               | –                                                          | 66                              | (216)                 | (150)                                                  | (140)                            | (290)           |
| <b>Balance as at<br/>31 December 2019</b>          | 47,433                        | (1,837)                         | (170)                                                      | 1,561                           | (4,340)               | 42,647                                                 | (919)                            | 41,728          |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|                                                                           | Share<br>capital<br>(Note 22)<br>\$'000 | Treasury<br>shares<br>(Note 23)<br>\$'000 | Retained<br>earnings/<br>(accumulated<br>losses)<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|------------------------------------------------------------|-----------------|
| <b>Company</b>                                                            |                                         |                                           |                                                            |                 |
| Balance as at 1 January 2019                                              | 47,433                                  | (1,837)                                   | 1,775                                                      | 47,371          |
| Loss for the year, representing total comprehensive income for the year   | –                                       | –                                         | (17,989)                                                   | (17,989)        |
| Balance as at 31 December 2019 and 1 January 2020                         | 47,433                                  | (1,837)                                   | (16,214)                                                   | 29,382          |
| Profit for the year, representing total comprehensive income for the year | –                                       | –                                         | 6,985                                                      | 6,985           |
| Balance as at 31 December 2020                                            | 47,433                                  | (1,837)                                   | (9,229)                                                    | 36,367          |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|                                                                                               | Group         |                |
|-----------------------------------------------------------------------------------------------|---------------|----------------|
|                                                                                               | 2020          | 2019           |
|                                                                                               | \$'000        | \$'000         |
|                                                                                               |               | (Restated)     |
| <b>Operating activities</b>                                                                   |               |                |
| Profit/(loss) before taxation                                                                 | 3,309         | (14,706)       |
| Adjustments for:                                                                              |               |                |
| Depreciation of property, plant and equipment                                                 | 3,665         | 2,615          |
| Depreciation of right-of-use assets                                                           | 431           | 522            |
| Allowance for inventories obsolescence                                                        | 96            | 136            |
| Amortisation of intangible assets                                                             | 26            | 36             |
| (Write back of)/allowance for expected credit loss                                            | (100)         | 115            |
| Loss on modification of lease                                                                 | 119           | –              |
| Impairment loss on goodwill                                                                   | –             | 186            |
| Gain on disposal of a subsidiary (Note A)                                                     | (6,456)       | –              |
| Gain on disposal of an associate (Note 15)                                                    | (49)          | –              |
| Gain on disposal of business operations, assets and liabilities of a subsidiary (Note B)      | –             | (110)          |
| Gain on bargain purchase arising on acquisition (Note D)                                      | –             | (1,153)        |
| Fair value loss on re-measurement of pre-existing equity interest in a joint venture (Note D) | –             | 722            |
| (Write-back of)/impairment loss on investment in an associate                                 | (105)         | 11,000         |
| Loss on disposal of property, plant and equipment                                             | 14            | 354            |
| Share of results of associates                                                                | 76            | 63             |
| Share of results of joint ventures                                                            | –             | 669            |
| Provision for warranty (net)                                                                  | 6             | 19             |
| Interest expense on bank loans                                                                | 211           | 298            |
| Interest expense on lease liabilities                                                         | 107           | 135            |
| Interest income                                                                               | (54)          | (135)          |
| Unrealised exchange (gain)/loss                                                               | (144)         | 140            |
| <b>Operating cash flows before movements in working capital</b>                               | <b>1,152</b>  | <b>906</b>     |
| Decrease/(increase) in inventories                                                            | 698           | (994)          |
| Decrease/(increase) in contract assets                                                        | 5,874         | (7,810)        |
| Increase in trade receivables                                                                 | (1,140)       | (2,478)        |
| Decrease/(increase) in other receivables and prepayments                                      | 1,499         | (887)          |
| Increase in contract liabilities                                                              | 571           | 1,302          |
| Increase in trade and other payables                                                          | 4,295         | 3,342          |
| Utilisation of provision for warranty                                                         | (9)           | (31)           |
| <b>Cash generated from/(used in) operations</b>                                               | <b>12,940</b> | <b>(6,650)</b> |
| Income tax paid                                                                               | (156)         | (899)          |
| Interest paid                                                                                 | (300)         | (410)          |
| Interest received                                                                             | 54            | 129            |
| <b>Net cash flows from/(used in) operating activities</b>                                     | <b>12,538</b> | <b>(7,830)</b> |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|                                                                                                               | <b>Group</b>   |                 |
|---------------------------------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                                               | <b>2020</b>    | <b>2019</b>     |
|                                                                                                               | \$'000         | \$'000          |
|                                                                                                               |                | (Restated)      |
| <b>Investing activities</b>                                                                                   |                |                 |
| Proceeds from disposal of property, plant and equipment                                                       | 43             | 120             |
| Additions to intangible assets                                                                                | (4)            | (175)           |
| Net cash inflow arising on disposal, representing cash and cash equivalents of a subsidiary disposed (Note A) | 797            | –               |
| Proceeds from disposal of an associate (Note 15)                                                              | 405            | –               |
| Deferred consideration received from disposal of assets and liabilities of a subsidiary (Note B)              | 9              | –               |
| Proceeds from disposal of business operations, assets and liabilities of a subsidiary (Note B)                | –              | 732             |
| Acquisition of shares and control over joint ventures, net of cash acquired (Notes C and D)                   | –              | 606             |
| Acquisition of non-controlling interest of a subsidiary (Note E)                                              | –              | (290)           |
| Purchase of property, plant and equipment                                                                     | (334)          | (474)           |
| Deferred payment for an investment in an associate (Note 19)                                                  | (4,000)        | (6,000)         |
| <b>Net cash flows used in investing activities</b>                                                            | <b>(3,084)</b> | <b>(5,481)</b>  |
| <b>Financing activities</b>                                                                                   |                |                 |
| Repayment of principal portion of lease liabilities (Note 18)                                                 | (540)          | (501)           |
| Proceeds from bank borrowings                                                                                 | 5,073          | 1,986           |
| Repayment of bank borrowings                                                                                  | (872)          | (3,140)         |
| Increase in pledged fixed deposits                                                                            | 146            | (113)           |
| <b>Net cash flows from/(used in) financing activities</b>                                                     | <b>3,807</b>   | <b>(1,768)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                                   | <b>13,261</b>  | <b>(15,079)</b> |
| Cash and cash equivalents at beginning of the year (Note 4)                                                   | 17,497         | 32,833          |
| Effects of exchange rate changes on the balance of cash held in foreign currencies                            | 307            | (257)           |
| <b>Cash and cash equivalents at end of the year (Note 4)</b>                                                  | <b>31,065</b>  | <b>17,497</b>   |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Note A

### Disposal of a subsidiary in 2020

On 4 June 2020, the Group entered into a conditional share purchase agreement to dispose of its 85% equity interests in its subsidiary, ZMK Technologies GmbH ("ZMK") for a total consideration of \$2,118,000. Subsequent to this disposal, the Group recorded a gain on disposal of a subsidiary of \$6,456,000 (Note 29). All the assets of ZMK were written down to recoverable amounts and presented as "Assets classified as held for sale" and all the liabilities of ZMK were presented as "Liabilities directly associated with assets classified held for sale" in 2019 (Note 9).

The effects of the disposal of ZMK on the financial results of the Group for the financial period up to the date of disposal are as follows:

|                                                                                     | 1 January 2020<br>to 4 June 2020 |
|-------------------------------------------------------------------------------------|----------------------------------|
|                                                                                     | \$'000                           |
| Revenue                                                                             | 11,179                           |
| Cost of sales                                                                       | (9,104)                          |
| <b>Gross profit</b>                                                                 | 2,075                            |
| Other operating income                                                              | 191                              |
| Distribution and marketing costs                                                    | (853)                            |
| Administrative expenses                                                             | (1,589)                          |
| Other operating expenses                                                            | (51)                             |
| Finance costs                                                                       | (93)                             |
| Results of ZMK recognised in the Group's profit for the year ended 31 December 2020 | (320)                            |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The effects of disposal of ZMK on the financial position of the Group as at 4 June 2020 are as follows:

|                                                                                                      | \$'000  |
|------------------------------------------------------------------------------------------------------|---------|
| <b>Current assets</b>                                                                                |         |
| Cash and cash equivalents                                                                            | 1,321   |
| Trade receivables                                                                                    | 3,657   |
| Other receivables and prepayments                                                                    | 221     |
| Contract assets                                                                                      | 3,202   |
| Inventories                                                                                          | 384     |
|                                                                                                      | <hr/>   |
| Total current assets                                                                                 | 8,785   |
| <b>Non-current assets</b>                                                                            |         |
| Property, plant and equipment                                                                        | 3,131   |
| Intangible assets                                                                                    | 136     |
|                                                                                                      | <hr/>   |
| Total non-current assets                                                                             | 3,267   |
| <b>Current liabilities</b>                                                                           |         |
| Trade and other payables                                                                             | 12,645  |
| Contract liabilities                                                                                 | 2,287   |
| Provision for warranty                                                                               | 175     |
|                                                                                                      | <hr/>   |
| Total current liabilities                                                                            | 15,107  |
| <b>Non-current liability</b>                                                                         |         |
| Bank borrowings                                                                                      | 2,048   |
|                                                                                                      | <hr/>   |
| Total non-current liability                                                                          | 2,048   |
| <b>Gain on disposal of a subsidiary</b>                                                              |         |
| Total consideration received                                                                         | 2,118   |
| Non-controlling interests deconsolidated                                                             | (765)   |
| Net liabilities derecognised                                                                         | 5,103   |
|                                                                                                      | <hr/>   |
| Gain on disposal of a subsidiary (Note 29)                                                           | 6,456   |
|                                                                                                      | <hr/>   |
| Total consideration                                                                                  | 2,118   |
| Less: Cash and cash equivalents in a subsidiary disposed                                             | (1,321) |
|                                                                                                      | <hr/>   |
| Net cash inflow arising on disposal, representing cash and cash equivalents of a subsidiary disposed | 797     |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Note B

### Disposal of business operations, assets and liabilities of a subsidiary in 2019

On 11 November 2019, the Group, through its wholly-owned subsidiary, Advanced Environment Technologies Pte. Ltd., entered into an assets purchase agreement with a third party and disposed business operations, certain assets and liabilities of its subsidiary ADV Instrument, LLC (Formerly known as ATOM Instrument, LLC) ("ADV"), for a cash consideration of \$732,000 to the third party.

The effects of disposal of business operations, assets and liabilities of ADV on the statement of cash flows for the year ended 31 December 2019 are as follows:

|                                   | <b>11 November 2019</b> |
|-----------------------------------|-------------------------|
|                                   | \$'000                  |
| <b>Current assets</b>             |                         |
| Inventories                       | 156                     |
| Trade receivables                 | 894                     |
| Other receivables and prepayments | 35                      |
| Total current assets              | 1,085                   |
| <b>Non-current assets</b>         |                         |
| Property, plant and equipment     | 57                      |
| Right-of-use asset                | 138                     |
| Intangible assets                 | 10                      |
| Total non-current assets          | 205                     |
| <b>Current liabilities</b>        |                         |
| Trade and other payables          | 512                     |
| Provision for warranty            | 6                       |
| Lease liabilities                 | 53                      |
| Total current liabilities         | 571                     |
| <b>Non-current liability</b>      |                         |
| Lease liabilities                 | 88                      |
| <b>Net assets derecognised</b>    | 631                     |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

|                                                  | <b>11 November 2019</b> |
|--------------------------------------------------|-------------------------|
|                                                  | \$'000                  |
| <b>Consideration</b>                             |                         |
| Cash                                             | 732                     |
| Deferred consideration                           | 9                       |
| Deemed consideration                             | 1,865                   |
|                                                  | <hr/>                   |
| Total consideration                              | 2,606                   |
|                                                  | <hr/>                   |
| <b>Gain on disposal:</b>                         |                         |
| Total consideration                              | 2,606                   |
| Net assets derecognised                          | (631)                   |
|                                                  | <hr/>                   |
|                                                  | 1,975                   |
| Less: Bond payment in relation to legal expenses | (1,865)                 |
|                                                  | <hr/>                   |
| Gain on disposal                                 | 110                     |
|                                                  | <hr/>                   |
| Total consideration                              | 2,606                   |
| Less: Deferred consideration receivable          | (9)                     |
| Less: Bond payment in relation to legal expenses | (1,865)                 |
|                                                  | <hr/>                   |
| Net cash inflow arising on disposal              | 732                     |
|                                                  | <hr/>                   |

In 2019, ADV and its non-controlling shareholder (collectively known as “Plaintiffs”) sued Petroleum Analyzer Company LP. (“PAC”) for infringement of the non-controlling shareholder’s patent but the final conclusion was given that the Plaintiffs have not proved that PAC used the non-controlling shareholder’s technology in the manufacture of its products, and thus there was no infringement. Accordingly, the Plaintiffs were not awarded for any damage compensation. In addition, the judge ordered that the Plaintiffs be liable for PAC’s attorney fees amounting to \$1.803 million. The Plaintiffs decided to seek for further recourse in the court of appeal but is required to post a bond of \$1.865 million, which consisted of \$1.803 million for attorney fees and \$62,000 as accrued interest in order to seek further resource in the court of appeal. The appeal will seek to overturn the judge’s decision of not awarding damages and making the Plaintiffs liable for defendant’s attorney fees.

The bond was paid by the buyer of ADV’s assets and liabilities, any additional rights and obligations related to the cash shall remain with ADV and its non-controlling shareholder. ADV has recorded \$1.865 million as legal expense in 2019.

On 7 August 2020, the court has ruled against the appeal and upheld that the Plaintiffs are liable for PAC’s attorney fee of \$1.803 million.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Note C

### Deemed acquisition of equity interest in a joint venture, Advanced CAE (ME) Control System L.L.C. in 2019

In 2019, the Group through its wholly-owned subsidiary, Advanced Engineering Holdings Pte. Ltd., and the joint venture partner of Advanced CAE (ME) Control System L.L.C. had entered into a supplementary agreement whereby the joint venture partner has unconditionally and irrevocably assigned to the Group all rights and power over the joint venture with effect from 1 May 2019. As such, the Group gained effective control via its rights arising from contractual arrangements and power over the entity which gives the Group the practical ability to direct the relevant activities and exposure to variable returns from its involvement in the joint venture from 1 May 2019.

The terms and conditions, including the effective date to transfer of controls of the joint venture to the Group on 1 May 2019, in the supplementary agreement have been agreed by both parties. As the Group has assumed control of the joint venture with effect from 1 May 2019, it is deemed to have acquired the 40% equity interest held by the joint venture partner and hence the joint venture became a wholly-owned subsidiary of the Group with effect from 1 May 2019.

The fair value of the identifiable assets acquired and liabilities assumed and the cash flow effect of the acquisition are as follows:

|                                                         | <b>1 May 2019</b> |
|---------------------------------------------------------|-------------------|
|                                                         | \$'000            |
| <b>Current assets</b>                                   |                   |
| Cash and cash balances                                  | 65                |
| Trade receivables                                       | 428               |
| Other receivable and prepayments                        | 314               |
| Inventories                                             | 337               |
|                                                         | <hr/>             |
| Total current assets                                    | 1,144             |
|                                                         | <hr/>             |
| <b>Non-current assets</b>                               |                   |
| Property plant and equipment                            | 448               |
|                                                         | <hr/>             |
| <b>Current liabilities</b>                              |                   |
| Trade and other payables                                | 1,778             |
|                                                         | <hr/>             |
| <b>Net liabilities assumed</b>                          | (186)             |
|                                                         | <hr/>             |
| <b>Goodwill arising on acquisition</b>                  |                   |
| Consideration transferred                               | –                 |
| Fair value of previously held equity interest           | –                 |
| Add: Fair value of identifiable net liabilities assumed | 186               |
|                                                         | <hr/>             |
| Goodwill arising on acquisition *                       | 186               |
|                                                         | <hr/>             |
| <b>Net cash inflow on acquisition of a subsidiary</b>   |                   |
| Consideration paid in cash                              | –                 |
| Cash and cash balances acquired                         | 65                |
|                                                         | <hr/>             |
|                                                         | 65                |
|                                                         | <hr/> <hr/>       |

\* Goodwill arising on acquisition was fully impaired in the 2019 (Note 12)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Note D

### Acquisition of equity interest in a joint venture, Advance CAE Saudi Arabia Company Ltd in 2019

In 2019, the Group through its wholly-owned subsidiary, Advance Engineering Holdings Pte. Ltd., and the joint venture partner of Advance CAE Saudi Arabia Company Ltd had entered into a share purchase agreement for the Group to acquire the 40% equity interest in Advance CAE Saudi Arabia Company Ltd held by the joint venture partner, with effect from 1 May 2019. The terms and conditions, including the effective date of transfer of controls of the joint venture to the Group on 1 May 2019 in the share purchase agreement have been agreed by both parties. As the Group has acquired the 40% equity interest held by the joint venture partner and assumed control of the joint venture with effect from 1 May 2019, the joint venture became a wholly-owned subsidiary of the Group with effect from 1 May 2019.

The fair value of the identifiable assets acquired and liabilities assumed and the cash flow effect of the acquisition are as follows:

|                                                                                 | <b>1 May 2019</b> |
|---------------------------------------------------------------------------------|-------------------|
|                                                                                 | \$'000            |
| <b>Current assets</b>                                                           |                   |
| Cash and cash balances                                                          | 541               |
| Trade receivables                                                               | 1,512             |
| Other receivable and prepayments                                                | 86                |
| Inventories                                                                     | 254               |
|                                                                                 | <hr/>             |
| Total current assets                                                            | 2,393             |
|                                                                                 | <hr/>             |
| <b>Non-current assets</b>                                                       |                   |
| Property plant and equipment                                                    | 73                |
|                                                                                 | <hr/>             |
| <b>Current liabilities</b>                                                      |                   |
| Trade and other payables                                                        | 665               |
| Income tax payable                                                              | 106               |
|                                                                                 | <hr/>             |
| Total current liabilities                                                       | 771               |
|                                                                                 | <hr/>             |
| <b>Net assets acquired</b>                                                      | 1,695             |
|                                                                                 | <hr/>             |
| <b>Gain on bargain purchase arising on acquisition</b>                          |                   |
| Investment in a joint venture at acquisition date                               | 1,047             |
| Fair value loss on re-measurement of pre-existing interest in the joint venture | (722)             |
|                                                                                 | <hr/>             |
| Fair value of previously held equity interest                                   | 325               |
| Consideration payable                                                           | 217               |
| Less: Fair value of identifiable net assets acquired                            | (1,695)           |
|                                                                                 | <hr/>             |
| Gain on bargain purchase arising on acquisition                                 | (1,153)           |
|                                                                                 | <hr/>             |
| <b>Net cash inflow on acquisition of a subsidiary</b>                           |                   |
| Consideration paid in cash                                                      | –                 |
| Cash and cash balances acquired                                                 | 541               |
|                                                                                 | <hr/>             |
|                                                                                 | 541               |
|                                                                                 | <hr/>             |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Note E

### Acquisition of non-controlling interest in 2019

In 2019, the Group acquired an additional 6.84% equity interests in its subsidiary, Guided Wave Incorporated ("GWI") when GWI bought back its shares from the non-controlling interests. Subsequent to this acquisition, the Group's equity interests in GWI increased from 93% to 99%. Cash outflow as a result of acquisition of non-controlling interests via share buy-back in the subsidiary is set out below:

|                                                                     | <b>2019</b> |
|---------------------------------------------------------------------|-------------|
|                                                                     | \$'000      |
| Non-current assets                                                  | 32          |
| Inventories                                                         | 97          |
| Trade and other receivables                                         | 93          |
| Other current assets                                                | 28          |
| Trade and other payables                                            | (97)        |
| Non-current liabilities                                             | (13)        |
| Net identifiable assets                                             | 140         |
| Loss from acquisition of non-controlling interest charged to equity | 150         |
| Net cash outflow on acquisition of non-controlling interests        | 290         |

As the change in ownership interests in the subsidiary does not result in a loss of control, the loss from acquisition of the non-controlling interest has been accounted for as equity transaction. The resulting cash flow has been classified as cash outflows used in investing activities.

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 1. General Information

Advanced Holdings Ltd. (the "Company") is a limited liability company incorporated in Singapore with its principal place of business and registered office at 30 Woodlands Loop, Singapore 738319. The Company is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

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

The principal activities of the subsidiaries, associates and joint ventures are disclosed in Notes 14, 15 and 16 respectively. There have been no significant changes in the nature of these activities during the financial year.

## 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 the 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 Changes in accounting policies

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

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective.

| Description                                                                                                                            | Effective for annual periods beginning on or after |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <i>Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | To be determined <sup>1</sup>                      |
| <i>Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions</i>                                                                      | 1 June 2020                                        |
| <i>Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions beyond 30 June 2021</i>                                                  | 1 April 2021                                       |
| <i>Annual Improvements to SFRS(I)s 2018-2020</i>                                                                                       | 1 January 2022                                     |
| <i>Amendments to SFRS(I) 3 Reference to the Conceptual Framework</i>                                                                   | 1 January 2022                                     |
| <i>Amendments to SFRS(I) 1-16 Property, Plant and Equipment -Proceeds before Intended Use</i>                                          | 1 January 2022                                     |
| <i>Amendments to SFRS(I) 1-37 Onerous Contracts - Cost of Fulfilling a Contract</i>                                                    | 1 January 2022                                     |
| <i>Amendment to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current - Deferral of Effective Date</i>                   | 1 January 2023                                     |
| <i>SFRS(I) 17 Insurance Contracts</i>                                                                                                  | 1 January 2023 <sup>2</sup>                        |
| <i>Amendments to SFRS(I) 17</i>                                                                                                        | 1 January 2023                                     |

<sup>1</sup> The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC in December 2015 via Amendment to Effective Date of Amendments to SFRS(I) 10 and SFRS(I) 1-28.

<sup>2</sup> The mandatory effective date of this Standard had been revised from 1 January 2021 to 1 January 2023 by the ASC in Nov 2020 via Amendments to SFRS(I) 17.

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

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

### 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of comprehensive income; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to the statement of comprehensive income or retained earnings, as appropriate.

#### (b) *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred in the statement of comprehensive income.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in the statement of comprehensive income.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 2.5 *Transactions with non-controlling interest*

Non-controlling interest represent 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 interest 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 ("SGD"), 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 the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of comprehensive income of the Group on disposal of the foreign operation.

#### (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 exchange rates prevailing at the date of the transactions. 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 the statement of comprehensive income.

### 2.7 *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. The cost includes the cost of replacing part of the property, plant and equipment that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

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

### 2.7 *Property, plant and equipment (cont'd)*

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

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

|                              |   |                                                   |
|------------------------------|---|---------------------------------------------------|
| Properties on leasehold land | - | over the lease period ranging from 42 to 47 years |
| Leasehold improvements       | - | 10 years                                          |
| Plant and equipment          | - | 3 to 10 years                                     |
| Renovation                   | - | 3 to 10 years                                     |
| Motor vehicles               | - | 5 to 10 years                                     |
| Property on freehold land    | - | 33 years                                          |

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

The residual values, useful lives 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 on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is de-recognised.

### 2.8 *Intangible assets*

#### (a) *Goodwill*

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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment at each reporting date 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. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the statement of comprehensive income. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

# NOTES TO FINANCIAL STATEMENTS

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

### 2.8 *Intangible assets (cont'd)*

#### (b) **Other intangible assets**

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the statement of comprehensive income 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. The amortisation expense on intangible assets with finite useful lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

### 2.9 **Non-current assets held for sale**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

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

### 2.10 *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, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.11 *Associates and joint ventures*

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.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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 or joint venture's profit or loss in the period in which the investment is acquired.

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

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

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 or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the statement of comprehensive income.

The financial statements of the associates and joint ventures 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.

### 2.12 *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 annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 2.12 *Impairment of non-financial assets (cont'd)*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

### 2.13 *Financial instruments*

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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

#### (a) *Financial assets*

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

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

#### Classification of financial assets

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

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

#### *Amortised cost and effective interest method*

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

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

### 2.13 Financial instruments (cont'd)

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

##### Classification of financial assets (cont'd)

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI, except for short-term balances when the effect of discounting is immaterial.

Interest income is recognised in the statement of comprehensive income and is included in the "other operating income" line item.

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in the statement of comprehensive income in the "other gains and losses" line item.

##### Impairment of financial assets

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 2.13 Financial instruments (cont'd)

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

##### Significant increase in credit risk

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

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group or the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group or the Company considers the changes in the risk that the specified debtor will default on the contract.

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

##### Definition of default

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

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

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

### 2.13 Financial instruments (cont'd)

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

##### Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### Write-off policy

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

##### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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

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

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

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

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

The Group recognises an impairment gain or loss in the statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 2.13 *Financial instruments (cont'd)*

#### (a) *Financial assets (cont'd)*

##### Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income.

#### (b) *Financial liabilities and equity instruments*

##### Classification as debt or equity

Debt and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

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

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

##### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

##### Financial liabilities subsequently measured at amortised cost

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

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

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

### 2.13 *Financial instruments (cont'd)*

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

##### Financial guarantee contracts

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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

##### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in the statement of comprehensive income (Note 29) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in the statement of comprehensive income for financial liabilities that are not part of a designated hedging relationship.

##### Derecognition of financial liabilities

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

#### (c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and 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.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 2.15 *Inventories*

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

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.

Cost is calculated on the following methods:

|                                  |   |                            |
|----------------------------------|---|----------------------------|
| Raw materials and finished goods | - | First-in, first-out method |
| Spare parts and consumable tools | - | Weighted average method    |

### 2.16 *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.

### 2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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.

#### (a) *Assurance-type warranty*

The Group recognises the estimated liability to repair or replace products that are still under assurance-type warranty at the end of the reporting period.

Provisions for assurance-type warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation, and is calculated based on historical experience of the level of repairs and replacements. Changes in estimates are recognised in the statement of comprehensive income.

#### (b) *Onerous contracts*

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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

### 2.17 Provisions (cont'd)

#### (c) Reinstatement costs

A provision for reinstatement costs for leased property is recognised when an underlying make good obligation clause exists in property lease contracts. The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date, based on current legal requirements and technology. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the reporting date.

### 2.18 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.

#### (a) Group as a 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 to make lease payments and right-of-use representing the right to use the underlying 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:

|                     |   |                             |
|---------------------|---|-----------------------------|
| Land use rights     | - | over the period of 47 years |
| Leasehold land      | - | over the period of 42 years |
| Leasehold buildings | - | 2 to 5 years                |
| Motor vehicles      | - | 2 to 3 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. Refer to the accounting policies in Note 2.12.

##### (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 FINANCIAL STATEMENTS

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

### 2.18 Leases (cont'd)

#### (a) Group as a lessee (cont'd)

##### (ii) Lease liabilities (cont'd)

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 and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### (b) Group as a 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 is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of comprehensive income due to its operating nature. 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 other operating income in the period in which they are earned.

### 2.19 Employee benefits

#### (a) Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and state-sponsored retirement benefit scheme in the PRC, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

#### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

### 2.20 Contract assets and liabilities

A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

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

### 2.21 *Revenue recognition*

The Group recognises revenue from the following major sources:

- Contract income from system integration solutions for process analyser and specialty valves.
- Sale of analyser technologies products.
- Maintenance and repair of analysers, specialty valves and systems.
- Commission income from agency agreements.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group has generally concluded that it is the principal in its revenue arrangements, except for the commission income from agency agreements below, because it typically control the goods or services before transferring them to the customer.

#### (a) ***Contract income from system integration solutions for process analyser and specialty valves***

The Group provides comprehensive one-stop system integration solutions and services for process analyser systems, specialty valves as well as chemical metering skids. Starting from front-end engineering design (FEED), project management and execution, factory manufacturing, installation, field commissioning, start-ups, supply of spare parts and upgrading to on-site maintenance services to the oil & gas, petrochemical, pharmaceutical and semiconductor industries. These solutions and services are customised for each customer, and can range from short term of a few months to long term of a few years.

Such contracts are entered into before construction of the systems begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the products to another customer and has an enforceable right to payment for work done.

Revenue from construction of system integration solutions is therefore recognised over time on input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

The Group becomes entitled to invoice customers for construction of the system integration solutions based on achieving a series of performance-related milestones. A particular milestone is reached after the customer is sent relevant documentary proof such as statement of work, along with an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the input method and the milestone payment is typically less than one year.

#### *Extended warranty*

The Group may provide extended warranty in addition to the assurance-type warranty to certain customers. The extended warranty is a distinct service because the customer has the option to purchase the extended warranty separately. Hence, the Group accounts for the extended warranty as a separate performance obligation and recognises it over time.

# NOTES TO FINANCIAL STATEMENTS

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

### 2.21 Revenue recognition (cont'd)

#### (b) **Sale of goods – analyser technologies products**

The Group specialises in online and laboratory analysers and offers a range of products, uses for which include: process measurement, analytical chemistry as well as quality controls analysis to the petroleum, petrochemicals, chemicals, oil & gas, polymer, printing and paint industries. The products are sold mainly to other businesses in the abovementioned industries.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Sales-related warranties associated with the analysers cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* in accordance with the accounting policy set out in Note 2.17

#### (c) **Sale of services – Maintenance and repair of analysers, specialty valves and systems**

The Group provides maintenance and repair services of analysers, specialty valves and systems. The maintenance services pertain to contractually agreed-upon task(s) for a customer which include but not limited to maintenance services, testing and commissioning services. Such services are recognised as a performance obligation satisfied over time based on the time spent over the agreed rate.

#### (d) **Commission income from agency agreements**

The Group receives commission income from suppliers that they have agency agreements with, at agreed upon percentages of the sale the suppliers make with the referred customer. The Group is acting as an agent in the arrangement with the suppliers for being exclusive distributors, and amounts collected should be recognised as a net amount of commission.

Revenue relating to the commission income is recognised when the commission is earned after the supplier notifies the entity. This represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

#### (e) **Others**

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

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

The Group's policy for recognition of revenue from operating leases is described above (Note 2.18).

### 2.22 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 country where the Company operates and generates taxable income.

Current income taxes are recognised in the statement of comprehensive income except to the extent that 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.

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

### 2.22 Taxes (cont'd)

#### (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 associate where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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 investment in associate, 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 deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax 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 sales tax included.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

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

### 2.23 *Research and development costs*

Research and development cost that does not meet the recognition criteria under SFRS(I) 1-38 *Intangible Assets*, are recognised as an expense in the period in which it is incurred.

### 2.24 *Government grants*

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

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

### 2.25 *Share capital and share issuance expense*

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 the statement of comprehensive income 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 issued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### 2.27 *General reserve*

#### (a) *Statutory reserve*

The People's Republic of China ("PRC") laws and regulations require the entities to provide for a statutory reserve which is appropriated from net income as reported in the PRC statutory financial statements. The use of this reserve is at the discretion of the entities' Board of Directors. The reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase share capital.

#### (b) *Capital reserve*

Capital reserve represents a portion of earnings for the establishment of a legal reserve in compliance with the relevant laws and regulations of Belgium. The subsidiary has elected to establish the maximum allowable reserve, equivalent to 10% of its share capital.

### 2.28 *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.

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

### 2.28 *Contingencies (cont'd)*

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.

### 2.29 *Current versus non-current classification*

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
  - Held primarily for the purpose of trading
  - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
  - It is held primarily for the purpose of trading
  - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

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. Uncertainty about these assumptions and estimates could result in outcomes that 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*

The following are the critical judgement, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

# NOTES TO FINANCIAL STATEMENTS

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

### 3.1 Judgements made in applying accounting policies (cont'd)

#### **Determination of functional currency**

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. The entities in the Group trade in various currencies, hence, in determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose economic environment and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' processes of determining sales prices. The functional currencies are principally the domestic currencies of the respective entities' country of operation.

### 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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) **Provision for expected credit losses of trade receivables and contract assets**

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the 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. The information about ECLs and carrying amounts on the Group's trade receivables and contract assets are disclosed in Notes 5, 7 and 36 respectively.

#### (b) **Construction contracts**

The Group recognises contract revenue overtime on input method i.e. based on the proportion of contract costs incurred for work performed to-date relative to the estimated total contract costs.

Significant assumptions are required for the estimation of each contract's stage of completion, total cost required for completion and assessing the risk of onerous contract. Total contract revenue may include an estimation of the variation works recoverable from the customers to the extent it is probable that the claim on customers will succeed. In making these estimates, management relies on its past experience.

The carrying amounts of the Group's contract assets and contract liabilities are disclosed in Note 7.

#### (c) **Recoverability of inventories**

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

The carrying amounts of the Group's inventories are disclosed in Note 8.

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

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (d) Impairment assessment of long-lived assets

The Group assesses whether there are any indicators of impairment for long-lived assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. The Group also assesses whether there is an indication that previously recognised impairment losses no longer exist or have decreased.

An impairment exists when the carrying value of long-lived assets exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of long-lived assets, are detailed in Notes 10 and 15 to the financial statements.

#### (e) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

## 4. Cash and bank balances

|                                                          | Group      |            | Company    |            |
|----------------------------------------------------------|------------|------------|------------|------------|
|                                                          | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
|                                                          | \$'000     | \$'000     | \$'000     | \$'000     |
| Cash and bank balances                                   | 31,065     | 15,533     | 2,859      | 4,333      |
| Fixed deposits                                           | 483        | 628        | –          | –          |
|                                                          | 31,548     | 16,161     | 2,859      | 4,333      |
| Classified as held for sale (Note 9)                     | –          | 1,964      | –          | –          |
| Total                                                    | 31,548     | 18,125     | 2,859      | 4,333      |
| Less: Pledged fixed deposits                             | (483)      | (628)      | –          | –          |
| Cash and cash equivalents in the statement of cash flows | 31,065     | 17,497     | 2,859      | 4,333      |

Fixed deposits earn fixed effective interest rates ranging from 1.4% to 2.5% (2019: 1.2% to 2.5%) per annum and for varying tenure periods of between 12 days and 2.4 years (2019: 121 days and 3 years). These fixed deposits can be terminated with no significant cost to the Group.

Fixed deposits are pledged to banks for credit facilities of the Group (Note 35).

# NOTES TO FINANCIAL STATEMENTS

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## 5. Trade receivables

|                                          | <b>Group</b>      |                   |
|------------------------------------------|-------------------|-------------------|
|                                          | <b>31.12.2020</b> | <b>31.12.2019</b> |
|                                          | \$'000            | \$'000            |
| Third parties                            | 12,599            | 11,472            |
| Joint ventures and associates            | 8                 | 7                 |
| Less: Allowance for expected credit loss | (112)             | (272)             |
|                                          | 12,495            | 11,207            |
| Classified as held for sale (Note 9)     | –                 | 3,702             |
|                                          | <u>12,495</u>     | <u>14,909</u>     |

The credit period is generally 30 to 90 days (2019: 30 to 90 days). No interest is charged on the outstanding balance.

Loss allowance for trade receivables has been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, and considering general economic conditions of the industry in which the debtors operate and forecasts of future economic conditions.

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

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The movement in expected credit loss allowance of trade receivables computed based on lifetime ECL are as follow:

|                                                      | <b>Group</b>         |             |
|------------------------------------------------------|----------------------|-------------|
|                                                      | <b>Life-time ECL</b> |             |
|                                                      | <b>2020</b>          | <b>2019</b> |
|                                                      | \$'000               | \$'000      |
| Balance as at 1 January                              | 272                  | 98          |
| (Credit)/charge to statement of comprehensive income | (121)                | 115         |
| Arising on acquisition of subsidiaries               | –                    | 62          |
| Write-off against allowance                          | (39)                 | (1)         |
| Translation differences                              | –                    | (1)         |
|                                                      | 112                  | 273         |
| Classified as held for sale                          | –                    | (1)         |
|                                                      | <u>112</u>           | <u>272</u>  |

# NOTES TO FINANCIAL STATEMENTS

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## 6. Other receivables and prepayments

|                                          | Group      |            | Company    |            |
|------------------------------------------|------------|------------|------------|------------|
|                                          | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
|                                          | \$'000     | \$'000     | \$'000     | \$'000     |
| Loans to subsidiaries                    | –          | –          | 6,298      | 7,080      |
| Less: Allowance for expected credit loss | –          | –          | (3,964)    | (4,464)    |
|                                          | –          | –          | 2,334      | 2,616      |
| Sundry receivables                       | 508        | 1,447      | 34         | 15         |
| Other receivables from subsidiaries      | –          | –          | 6,907      | 4,395      |
| Deposit                                  | 77         | 115        | –          | 3          |
| Deferred consideration receivable        | –          | 9          | –          | –          |
|                                          | 585        | 1,571      | 9,275      | 7,029      |
| Advance payments to suppliers            | 1,577      | 1,345      | –          | –          |
| Prepayments                              | 242        | 264        | 18         | 16         |
|                                          | 2,404      | 3,180      | 9,293      | 7,045      |
| Classified as held for sale (Note 9)     | –          | 872        | –          | –          |
|                                          | 2,404      | 4,052      | 9,293      | 7,045      |

Loans to subsidiaries and other receivables from subsidiaries are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash.

Loss allowance had been made for estimated irrecoverable loans to subsidiaries amounting to \$3,964,000 (2019: \$4,464,000) in view of the financial position of these subsidiaries and uncertainties regarding recoverability from these subsidiaries.

The movement in expected credit loss allowance of loans to subsidiaries computed based on 12 months ECL are as follows:

|                           | Company       |        |
|---------------------------|---------------|--------|
|                           | 12 months ECL |        |
|                           | 2020          | 2019   |
|                           | \$'000        | \$'000 |
| Balance as at 1 January   | 4,464         | 4,464  |
| Written off               | (500)         | –      |
| Balance as at 31 December | 3,964         | 4,464  |

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and have strong capacity to meet its contractual cashflows obligations in the near term. There has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of the receivables as well as the loss upon default. Management determines that these receivables are subject to immaterial credit losses other than those balances as provided for above.

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

# NOTES TO FINANCIAL STATEMENTS

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## 7. Contract assets and contract liabilities

### Contract assets

|                                           | <b>Group</b>      |                   | <b>Company</b>    |                   |
|-------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                           | <b>31.12.2020</b> | <b>31.12.2019</b> | <b>31.12.2020</b> | <b>31.12.2019</b> |
|                                           | \$'000            | \$'000            | \$'000            | \$'000            |
| Accrued revenue                           | 136               | 149               | 466               | 735               |
| Amounts related to construction contracts | 3,571             | 10,227            | –                 | –                 |
| Less: Allowance for expected credit loss  | (21)              | –                 | –                 | –                 |
|                                           | 3,686             | 10,376            | 466               | 735               |
| Classified as held for sale (Note 9)      | –                 | 2,285             | –                 | –                 |
|                                           | 3,686             | 12,661            | 466               | 735               |

Contract assets relating to accrued revenue are amounts for which the Group and Company have performed work as at statement of financial position date, but have not billed the customer. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract assets relating to construction contracts are balances due from customers under contract income that arise when the relevant performance obligation for the customer contract is satisfied and the Group becomes entitled to the consideration per the contract. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Management estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the relevant customers' industry.

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

The movement in expected credit loss allowance of contract assets computed based on lifetime are as follow:

|                                                 | <b>Group</b> |             |
|-------------------------------------------------|--------------|-------------|
|                                                 | <b>2020</b>  | <b>2019</b> |
|                                                 | \$'000       | \$'000      |
| Balance as at 1 January                         | –            | –           |
| Charge to the statement of comprehensive income | 21           | –           |
| Balance as at 31 December                       | 21           | –           |

### Contract liabilities

|                                           | <b>Group</b>      |                   |
|-------------------------------------------|-------------------|-------------------|
|                                           | <b>31.12.2020</b> | <b>31.12.2019</b> |
|                                           | \$'000            | \$'000            |
| Advanced receipts from customers          | 6,241             | 6,330             |
| Amounts related to construction contracts | 1,595             | 2,374             |
|                                           | 7,836             | 8,704             |
| Classified as held for sale (Note 9)      | –                 | 641               |
|                                           | 7,836             | 9,345             |

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## 7. Contract assets and contract liabilities (cont'd)

Contract liabilities arise from advance receipts from customers, where revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer makes advance payments prior to delivery of goods, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts that arise when a particular milestone payment exceeds the revenue recognised to date under the input method.

The amount of revenue recognised in the current reporting period which relates to brought-forward contract liabilities is \$7,594,000 (2019: \$6,912,000).

## 8. Inventories

|                                      | Group      |            |
|--------------------------------------|------------|------------|
|                                      | 31.12.2020 | 31.12.2019 |
|                                      | \$'000     | \$'000     |
| Raw materials                        | 1,232      | 2,347      |
| Spare parts and consumable tools     | 1,993      | 1,773      |
| Work-in-progress                     | 2,782      | 3,197      |
| Finished products                    | 239        | 237        |
| Goods in transit                     | 553        | –          |
|                                      | 6,799      | 7,554      |
| Classified as held for sale (Note 9) | –          | 325        |
|                                      | 6,799      | 7,879      |

Inventories are stated at lower of cost and net realisable value.

Movement in allowance for inventories obsolescence:

|                                             | Group  |        |
|---------------------------------------------|--------|--------|
|                                             | 2020   | 2019   |
|                                             | \$'000 | \$'000 |
| Balance as at 1 January                     | 700    | 705    |
| Charge to statement of comprehensive income | 96     | 136    |
| Write-off against allowance                 | (31)   | (141)  |
| Translation differences                     | 4      | –      |
| Balance as at 31 December                   | 769    | 700    |

The allowance for inventories obsolescence relates to raw materials, spare parts and consumable tools. The allowance charged is included in "Other gains and losses".

# NOTES TO FINANCIAL STATEMENTS

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## 9. Assets classified as held for sale

In 2019, the Group entered into a share purchase and transfer agreement ("agreement") with a third party buyer to dispose its entire shareholding in its 85% owned subsidiary, ZMK Technologies GmbH ("ZMK"), for a total consideration of \$2,118,000. The agreement was signed on 4 June 2020 and consideration was subsequently received (Note A, Consolidated Statement of Cash Flows).

The assets and liabilities of ZMK as at 31 December 2019 have been classified as held for sale and presented separately in the statement of financial position as at 31 December 2019. However, the results of ZMK has not been classified as discontinued operations for the year ended 31 December 2019 as the business operation of ZMK is part of the existing engineering service and manufacturing segments (Note 39) and not a separate major line of business or geographical area of operations.

Goodwill arising on the acquisition of ZMK of \$141,000 was fully impaired in 2015 (Note 12).

The major classes of assets and liabilities comprising the disposal group classified as held for sale as at 31 December 2019 are as follows:

|                                                                                | <b>2019</b>   |
|--------------------------------------------------------------------------------|---------------|
|                                                                                | \$'000        |
| <b>Current assets</b>                                                          |               |
| Cash and cash equivalents                                                      | 1,964         |
| Trade receivables                                                              | 3,702         |
| Other receivables and prepayments                                              | 872           |
| Contract assets                                                                | 2,285         |
| Inventories                                                                    | 325           |
| Total current assets                                                           | 9,148         |
| <b>Non-current assets</b>                                                      |               |
| Property, plant and equipment                                                  | 3,064         |
| Intangible assets                                                              | 153           |
| Total non-current assets                                                       | 3,217         |
| <b>Assets classified as held for sale</b>                                      | <b>12,365</b> |
| <b>Current liabilities</b>                                                     |               |
| Trade and other payables                                                       | 4,292         |
| Contract liabilities                                                           | 641           |
| Provision for warranty                                                         | 144           |
| Total current liabilities                                                      | 5,077         |
| <b>Non-current liability</b>                                                   |               |
| Bank borrowings                                                                | 2,032         |
| <b>Liabilities directly associated with assets classified as held for sale</b> | <b>7,109</b>  |

# NOTES TO FINANCIAL STATEMENTS

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## 10. Property, plant and equipment

|                                                           | Leasehold<br>properties and<br>improvements | Freehold<br>property | Plant and<br>equipment | Renovation | Motor<br>vehicles | Total   |
|-----------------------------------------------------------|---------------------------------------------|----------------------|------------------------|------------|-------------------|---------|
|                                                           | \$'000                                      | \$'000               | \$'000                 | \$'000     | \$'000            | \$'000  |
| <b>Group</b>                                              |                                             |                      |                        |            |                   |         |
| <b>Cost</b>                                               |                                             |                      |                        |            |                   |         |
| Balance as at<br>1 January 2019                           | 21,371                                      | 2,959                | 4,186                  | 2,503      | 556               | 31,575  |
| Additions                                                 | –                                           | –                    | 424                    | 18         | 32                | 474     |
| Disposals                                                 | –                                           | –                    | (829)                  | (12)       | (137)             | (978)   |
| Write-off                                                 | –                                           | –                    | (159)                  | –          | –                 | (159)   |
| Arising on acquisition of<br>subsidiaries <sup>(1)</sup>  | –                                           | –                    | 561                    | –          | 137               | 698     |
| Classified as held for sale<br>(Note 9)                   | –                                           | (2,863)              | (765)                  | –          | (65)              | (3,693) |
| Translation differences                                   | (135)                                       | (96)                 | (43)                   | (32)       | (6)               | (312)   |
| Balance as at 31 December<br>2019 and 1 January 2020      | 21,236                                      | –                    | 3,375                  | 2,477      | 517               | 27,605  |
| Additions                                                 | 242                                         | –                    | 92                     | –          | –                 | 334     |
| Disposals                                                 | –                                           | –                    | (275)                  | –          | (50)              | (325)   |
| Write-off                                                 | –                                           | –                    | (23)                   | (2)        | –                 | (25)    |
| Disposal of a subsidiary                                  | –                                           | –                    | (177)                  | –          | (3)               | (180)   |
| Translation differences                                   | 244                                         | –                    | 191                    | 54         | 8                 | 497     |
| Balance as at<br>31 December 2020                         | 21,722                                      | –                    | 3,183                  | 2,529      | 472               | 27,906  |
| <b>Accumulated depreciation</b>                           |                                             |                      |                        |            |                   |         |
| Balance as at 1 January 2019                              | 3,073                                       | 173                  | 3,442                  | 1,772      | 211               | 8,671   |
| Depreciation charge<br>for the year                       | 539                                         | 69                   | 339                    | 233        | 73                | 1,253   |
| Accelerated depreciation<br>charge for the year (Note 34) | 1,362                                       | –                    | –                      | –          | –                 | 1,362   |
| Disposals                                                 | –                                           | –                    | (390)                  | (5)        | (51)              | (446)   |
| Write-off                                                 | –                                           | –                    | (159)                  | –          | –                 | (159)   |
| Arising on acquisition of<br>subsidiaries <sup>(1)</sup>  | –                                           | –                    | 142                    | –          | 35                | 177     |
| Classified as held for sale<br>(Note 9)                   | –                                           | (237)                | (361)                  | –          | (31)              | (629)   |
| Translation differences                                   | (21)                                        | (5)                  | (15)                   | (32)       | (4)               | (77)    |
| Balance as at 31 December<br>2019 and 1 January 2020      | 4,953                                       | –                    | 2,998                  | 1,968      | 233               | 10,152  |
| Depreciation charge<br>for the year                       | 541                                         | –                    | 214                    | 136        | 46                | 937     |
| Accelerated depreciation<br>charge for the year (Note 34) | 2,728                                       | –                    | –                      | –          | –                 | 2,728   |
| Disposals                                                 | –                                           | –                    | (224)                  | –          | (44)              | (268)   |
| Write-off                                                 | –                                           | –                    | (23)                   | (2)        | –                 | (25)    |
| Disposal of a subsidiary                                  | –                                           | –                    | (106)                  | –          | (7)               | (113)   |
| Translation differences                                   | 99                                          | –                    | 63                     | 54         | 5                 | 221     |
| Balance as at<br>31 December 2020                         | 8,321                                       | –                    | 2,922                  | 2,156      | 233               | 13,632  |

# NOTES TO FINANCIAL STATEMENTS

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## 10. Property, plant and equipment (cont'd)

|                                                                         | Leasehold<br>properties and<br>improvements | Freehold<br>property | Plant and<br>equipment | Renovation | Motor<br>vehicles | Total  |
|-------------------------------------------------------------------------|---------------------------------------------|----------------------|------------------------|------------|-------------------|--------|
|                                                                         | \$'000                                      | \$'000               | \$'000                 | \$'000     | \$'000            | \$'000 |
| <b>Group</b>                                                            |                                             |                      |                        |            |                   |        |
| <b>Accumulated<br/>impairment loss</b>                                  |                                             |                      |                        |            |                   |        |
| Balance as at 1 January 2019,<br>31 December 2020 and<br>1 January 2020 | –                                           | –                    | 16                     | –          | –                 | 16     |
| Translation Differences                                                 | –                                           | –                    | (1)                    | –          | –                 | (1)    |
| Balance as at<br>31 December 2020                                       | –                                           | –                    | 15                     | –          | –                 | 15     |
| <b>Carrying amount</b>                                                  |                                             |                      |                        |            |                   |        |
| Balance as at<br>31 December 2020                                       | 13,401                                      | –                    | 246                    | 373        | 239               | 14,259 |
| Balance as at<br>31 December 2019<br>(Restated)                         | 16,283                                      | –                    | 361                    | 509        | 284               | 17,437 |
| Balance as at 1 January 2019                                            | 18,298                                      | 2,786                | 728                    | 731        | 345               | 22,888 |

<sup>(1)</sup> Please refer to Notes C and D of the consolidated statement of cash flows.

# NOTES TO FINANCIAL STATEMENTS

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## 10. Property, plant and equipment (cont'd)

|                                                   | Plant and<br>equipment<br>\$'000 | Motor<br>vehicles<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------|----------------------------------|-----------------------------|-----------------|
| <b>Company</b>                                    |                                  |                             |                 |
| <b>Cost</b>                                       |                                  |                             |                 |
| Balance as at 1 January 2019                      | 85                               | 372                         | 457             |
| Additions                                         | 1                                | –                           | 1               |
| Write-off                                         | (1)                              | –                           | (1)             |
| Balance as at 31 December 2019 and 1 January 2020 | 85                               | 372                         | 457             |
| Additions                                         | 1                                | –                           | 1               |
| Balance as at 31 December 2020                    | 86                               | 372                         | 458             |
| <b>Accumulated depreciation</b>                   |                                  |                             |                 |
| Balance as at 1 January 2019                      | 74                               | 62                          | 136             |
| Depreciation charge for the year                  | 8                                | 37                          | 45              |
| Write-off                                         | (1)                              | –                           | (1)             |
| Balance as at 31 December 2019 and 1 January 2020 | 81                               | 99                          | 180             |
| Depreciation charge for the year                  | 4                                | 37                          | 41              |
| Balance as at 31 December 2020                    | 85                               | 136                         | 221             |
| <b>Carrying amount</b>                            |                                  |                             |                 |
| Balance as at 31 December 2020                    | 1                                | 236                         | 237             |
| Balance as at 31 December 2019                    | 4                                | 273                         | 277             |

Details of the properties held by the Group as at 31 December 2020 are set out below:

| Location                                                                            | Gross area<br>(sq. m.) | Tenure   | Use                          |
|-------------------------------------------------------------------------------------|------------------------|----------|------------------------------|
| <b>Leasehold properties</b>                                                         |                        |          |                              |
| 30 Woodlands Loop<br>Singapore 738319                                               | 8,104                  | 42 years | Leasehold factory and office |
| No. 238 Fengcun Road,<br>Qingcun Town,<br>Fengxian District, 201714<br>Shanghai PRC | 15,817                 | 47 years | Leasehold factory and office |

The depreciation expense has been included in the following line items in the consolidated statement of comprehensive income:

|                                  | Group          |                              |
|----------------------------------|----------------|------------------------------|
|                                  | 2020<br>\$'000 | 2019<br>\$'000<br>(Restated) |
| Cost of sales                    | 291            | 343                          |
| Distribution and marketing costs | 67             | 72                           |
| Administrative expenses          | 3,307          | 2,200                        |
|                                  | 3,665          | 2,615                        |

# NOTES TO FINANCIAL STATEMENTS

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## 10. Property, plant and equipment (cont'd)

In 2019, the Group had pledged one of its leasehold properties and the freehold property with total carrying amount of \$15,754,000 to secure certain banking facilities granted to the Group (Note 18).

In 2020, the Group has pledged one of its leasehold properties with total carrying amount of \$12,703,000 to secure certain banking facilities granted to the Group (Note 18).

### Impairment testing on property, plant and equipment

As at 31 December 2020, the Group carried out a review of the recoverable amount of its property, plant and equipment attributable to Advanced CAE ("CAE") CGU due to uncertain global economic conditions and the existing challenging surrounding the oil and gas industry. CAE CGU also incurred operating losses for the year ended 31 December 2020 and 2019.

The recoverable amount of the property, plant and equipment allocated to CAE CGU was determined based on a value-in-use calculation of the CGU using cash flow projections based on financial budgets approved by directors covering 5 years' periods.

The post-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5 years' periods are as follows:

|                         | 31.12.2020 | 31.12.2019 |
|-------------------------|------------|------------|
| Growth rate             | 1.5%       | 1.5%       |
| Post-tax discount rates | 11.15%     | 10.25%     |

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

*Budgeted revenue and gross margins* - The budgeted revenue and gross margins are with the range of actual revenue and gross margin achieved from 2014 to 2020.

If the budgeted revenue for 2021 decreased to the actual revenue for 2020 and all other key assumptions remain unchanged, would result in impairment in CAE CGU.

If the gross profit margin for 2021 decreased to 9.5%, with annual increase of 2% from 2022 to 2025 and all other key assumptions remain unchanged, would result in impairment in CAE CGU.

*Long-term growth rate* - Rate used to extrapolate cashflows is based on the sustainable growth of the Singapore economy in the future.

*Discount rate* - The discount rate used represent the current market assessment of the risk specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its Weighted Average Cost of Capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group 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.

Based on the assessment, the recoverable amounts of property, plant and equipment allocated to this CGU was computed to be higher than carrying amounts. No impairment loss was recorded.

## 11. Right-of-use assets

The Group has lease contracts (as a lessee) for leasehold land, land use rights and motor vehicles. The average lease term ranges from 2 to 47 years. 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.

The Group also has certain leases of office equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases.

# NOTES TO FINANCIAL STATEMENTS

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## 11. Right-of-use assets (cont'd)

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

| Group                                             | Land use rights<br>\$'000 | Leasehold land<br>\$'000 | Motor vehicles<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------|---------------------------|--------------------------|--------------------------|-----------------|
| <b>Cost</b>                                       |                           |                          |                          |                 |
| Balance as at 1 January 2019                      | –                         | 3,993                    | 26                       | 4,019           |
| Reclassified from land use rights (Note 13)       | 1,360                     | –                        | –                        | 1,360           |
| Additions                                         | –                         | 85                       | 6                        | 91              |
| Disposal                                          | –                         | (181)                    | –                        | (181)           |
| Translation differences                           | (34)                      | (9)                      | –                        | (43)            |
| Balance as at 31 December 2019 and 1 January 2020 | 1,326                     | 3,888                    | 32                       | 5,246           |
| Modification of lease                             | –                         | (664)                    | –                        | (664)           |
| Translation differences                           | 62                        | (3)                      | 2                        | 61              |
| Balance as at 31 December 2020                    | 1,388                     | 3,221                    | 34                       | 4,643           |
| <b>Accumulated depreciation</b>                   |                           |                          |                          |                 |
| Balance as at 1 January 2019                      | –                         | –                        | –                        | –               |
| Reclassified from land use rights (Note 13)       | 160                       | –                        | –                        | 160             |
| Depreciation charge for the year                  | 29                        | 479                      | 14                       | 522             |
| Disposal                                          | –                         | (43)                     | –                        | (43)            |
| Translation differences                           | (5)                       | (5)                      | –                        | (10)            |
| Balance as at 31 December 2019 and 1 January 2020 | 184                       | 431                      | 14                       | 629             |
| Depreciation charge for the year                  | 29                        | 391                      | 11                       | 431             |
| Modification of lease                             | –                         | (201)                    | –                        | (201)           |
| Translation differences                           | 9                         | (12)                     | 1                        | (2)             |
| Balance as at 31 December 2020                    | 222                       | 609                      | 26                       | 857             |
| <b>Carrying amount</b>                            |                           |                          |                          |                 |
| Balance as at 31 December 2020                    | 1,166                     | 2,612                    | 8                        | 3,786           |
| Balance as at 31 December 2019                    | 1,142                     | 3,457                    | 18                       | 4,617           |

### Impairment of right-of use assets

As at 31 December 2020, the Group carried out a review of the recoverable amounts of its right-of-use assets attributable to CAE CGU to uncertain global economic conditions and the existing challenging climate surrounding the oil and gas industry.

The recoverable amount of the right-of-use assets allocated to this CGU was determined based on a value-in-use calculation of the CGU using cash flow projections based on financial budgets approved by directors covering 5 years' periods.

The key assumptions used in value-in-use calculations are detailed in Note 10.

Based on the assessment, the recoverable amounts of right-of-use assets allocated to this CGU was computed to be higher than carrying amounts. No impairment loss was recorded.

# NOTES TO FINANCIAL STATEMENTS

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## 12. Goodwill

|                                             | <b>Group</b> |
|---------------------------------------------|--------------|
|                                             | \$'000       |
| <b>Cost:</b>                                |              |
| Balance as at 1 January 2019                | 2,825        |
| Arising from acquisition of a subsidiary    | 186          |
|                                             | <hr/>        |
| Balance as at 31 December 2019              | 3,011        |
| Disposal of a subsidiary                    | (141)        |
| Struck-off of a subsidiary                  | (75)         |
|                                             | <hr/>        |
| Balance as at 31 December 2020              | 2,795        |
| <b>Allowance for impairment loss:</b>       |              |
| Balance as at 1 January 2019                | 2,649        |
| Charge to statement of comprehensive income | 186          |
|                                             | <hr/>        |
| Balance as at 31 December 2019              | 2,835        |
| Disposal of a subsidiary                    | (141)        |
| Struck-off of a subsidiary                  | (75)         |
|                                             | <hr/>        |
| Balance as at 31 December 2020              | 2,619        |
| <b>Carrying amount:</b>                     |              |
| Balance as at 31 December 2020              | 176          |
|                                             | <hr/>        |
| Balance as at 31 December 2019              | 176          |
|                                             | <hr/>        |

Goodwill acquired in a business combination is allocated at acquisition to the Group's CGUs that are expected to benefit from the business combination. The gross carrying amounts of goodwill have been allocated to the following CGUs:

|                                                   | <b>Group</b> |             |
|---------------------------------------------------|--------------|-------------|
|                                                   | <b>2020</b>  | <b>2019</b> |
|                                                   | \$'000       | \$'000      |
| <u>Engineering service and manufacturing:</u>     |              |             |
| ADV Instrument, LLC                               | –            | 75          |
| Analytical Technology & Control Ltd               | 1,895        | 1,895       |
| Advanced CAE Pte Ltd ("CAE")                      | 176          | 176         |
| Guided Wave Incorporated                          | 538          | 538         |
| ZMK Technologies GmbH                             | –            | 141         |
| Advanced CAE (ME) Control System L.L.C ("CAE ME") | 186          | 186         |
|                                                   | <hr/>        | <hr/>       |
|                                                   | 2,795        | 3,011       |
|                                                   | <hr/>        | <hr/>       |

### Impairment testing on goodwill

#### 2020

The annual impairment test of goodwill acquired through business combinations relates to goodwill of \$176,000 that has been allocated to the CAE CGU.

The recoverable amount of this CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by directors covering 5 years' period.

The key assumptions used in value-in-use calculations are detailed in Note 10.

# NOTES TO FINANCIAL STATEMENTS

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## 12. Goodwill (cont'd)

### Impairment testing on goodwill (cont'd)

Based on the assessment, the recoverable amounts allocated to this CGU was computed to be higher than carrying amounts. No impairment loss was recorded.

2019

In 2019, an impairment loss of \$186,000 was recognised on the goodwill allocated to CAE ME as CAE ME is undergoing restructuring and management does not intend to take up more projects other than completing existing projects. As such, the goodwill arising from the deemed acquisition of the equity interest held by the joint venture partner is not expected to generate any future economic benefit.

## 13. Intangible assets

|                                                      | Land use<br>rights | Customer<br>order books | Software | License fee<br>and patents | Total   |
|------------------------------------------------------|--------------------|-------------------------|----------|----------------------------|---------|
|                                                      | \$'000             | \$'000                  | \$'000   | \$'000                     | \$'000  |
| <b>Group</b>                                         |                    |                         |          |                            |         |
| <b>Cost</b>                                          |                    |                         |          |                            |         |
| Balance as at 1 January 2019                         | 1,360              | 150                     | 215      | 685                        | 2,410   |
| Reclassified to right-of-use assets (Note 11)        | (1,360)            | –                       | –        | –                          | (1,360) |
| Additions                                            | –                  | –                       | 165      | 10                         | 175     |
| Disposal                                             | –                  | –                       | –        | (15)                       | (15)    |
| Classified as held for sale (Note 9)                 | –                  | –                       | (255)    | (1)                        | (256)   |
| Translation differences                              | –                  | –                       | (4)      | (3)                        | (7)     |
| Balance as at 31 December 2019 and<br>1 January 2020 | –                  | 150                     | 121      | 676                        | 947     |
| Additions                                            | –                  | –                       | 4        | –                          | 4       |
| Disposal of a subsidiary                             | –                  | –                       | (14)     | (1)                        | (15)    |
| Translation differences                              | –                  | –                       | 10       | (5)                        | 5       |
| Balance as at 31 December 2020                       | –                  | 150                     | 121      | 670                        | 941     |
| <b>Accumulated amortisation</b>                      |                    |                         |          |                            |         |
| Balance as at 1 January 2019                         | 160                | 150                     | 154      | 509                        | 973     |
| Reclassified to right-of-use assets (Note 11)        | (160)              | –                       | –        | –                          | (160)   |
| Amortisation for the year                            | –                  | –                       | 35       | 1                          | 36      |
| Disposal                                             | –                  | –                       | –        | (5)                        | (5)     |
| Classified as held for sale (Note 9)                 | –                  | –                       | (102)    | (1)                        | (103)   |
| Translation differences                              | –                  | –                       | (2)      | (3)                        | (5)     |
| Balance as at 31 December 2019 and<br>1 January 2020 | –                  | 150                     | 85       | 501                        | 736     |
| Amortisation for the year                            | –                  | –                       | 26       | –                          | 26      |
| Disposal of a subsidiary                             | –                  | –                       | (31)     | (1)                        | (32)    |
| Translation differences                              | –                  | –                       | 5        | (5)                        | –       |
| Balance as at 31 December 2020                       | –                  | 150                     | 85       | 495                        | 730     |

# NOTES TO FINANCIAL STATEMENTS

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## 13. Intangible assets (cont'd)

| Group                                                                  | Land use rights<br>\$'000 | Customer order books<br>\$'000 | Software<br>\$'000 | License fee and patents<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------|---------------------------|--------------------------------|--------------------|-----------------------------------|-----------------|
| <b>Impairment loss</b>                                                 |                           |                                |                    |                                   |                 |
| Balance as at 1 January 2019                                           | –                         | –                              | 36                 | 176                               | 212             |
| Translation differences                                                | –                         | –                              | –                  | (1)                               | (1)             |
| Balance as at 31 December 2019,<br>1 January 2020 and 31 December 2020 | –                         | –                              | 36                 | 175                               | 211             |
| <b>Carrying amount</b>                                                 |                           |                                |                    |                                   |                 |
| Balance as at 31 December 2020                                         | –                         | –                              | –                  | –                                 | –               |
| Balance as at 31 December 2019                                         | –                         | –                              | –                  | –                                 | –               |

Customer order books, license fee and patents and software are amortised over their estimated useful lives, ranging from 5 to 10 years.

The amortisation expense has been included in the following line items in the consolidated statement of comprehensive income:

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2020<br>\$'000 | 2019<br>\$'000 |
| Other operating expenses (Note 28) | 26             | 36             |

## 14. Investments in subsidiaries

|                                       | Company              |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | 31.12.2020<br>\$'000 | 31.12.2019<br>\$'000 |
| Unquoted equity shares, at cost       | 46,410               | 46,410               |
| Less: Allowance for impairment losses | (8,660)              | (13,500)             |
|                                       | 37,750               | 32,910               |

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

Details of the subsidiaries are as follows:

| Name of subsidiaries                                              | Principal activities                                                                                                                                                                                         | Country of incorporation/<br>Place of business | Percentage of equity held |             | Proportion of voting power held |             |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------|-------------|---------------------------------|-------------|
|                                                                   |                                                                                                                                                                                                              |                                                | 31.12. 2020               | 31.12. 2019 | 31.12. 2020                     | 31.12. 2019 |
|                                                                   |                                                                                                                                                                                                              |                                                | %                         | %           | %                               | %           |
| <u>Held by the Company</u>                                        |                                                                                                                                                                                                              |                                                |                           |             |                                 |             |
| Advanced Controls Pte. Ltd. <sup>(1)</sup>                        | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries. | Singapore                                      | 100                       | 100         | 100                             | 100         |
| Advanced Controls (M) Sdn. Bhd. <sup>(2)</sup>                    | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries  | Malaysia                                       | 100                       | 100         | 100                             | 100         |
| Advanced CAE Ltd <sup>(3)</sup>                                   | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries  | People's Republic of China                     | 100                       | 100         | 100                             | 100         |
| Advanced Environmental Technologies Pte. Ltd. <sup>(1)</sup>      | Investment holding                                                                                                                                                                                           | Singapore                                      | 100                       | 100         | 100                             | 100         |
| Advanced Engineering Holdings Pte. Ltd. <sup>(1)</sup>            | Investment holding                                                                                                                                                                                           | Singapore                                      | 100                       | 100         | 100                             | 100         |
| Advanced Process Equipment (Thailand) Co., Ltd. <sup>(a)(4)</sup> | Sales and marketing of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemical and energy related industries                                        | Thailand                                       | 49                        | 49          | 49                              | 49          |
| ZMK Technologies GmbH <sup>(8)</sup>                              | Manufacture and distribute special valves for chemical and petrochemical related industries                                                                                                                  | Germany                                        | –                         | 85          | –                               | 85          |
| <u>Held through subsidiaries</u>                                  |                                                                                                                                                                                                              |                                                |                           |             |                                 |             |
| ADV Instrument, LLC <sup>(b)(6)</sup>                             | Design, manufacture and supply of analysers and specialises in research and development                                                                                                                      | United States of America                       | –                         | 67          | –                               | 67          |
| Guided Wave Asia Pte. Ltd. <sup>(1)</sup>                         | Marketing and sale of Guided Wave products                                                                                                                                                                   | Singapore                                      | 100                       | 100         | 100                             | 100         |
| Guided Wave Incorporated <sup>(5)</sup>                           | Manufacture of fiber-optic based spectrophotometers for chemical analysis in the chemical process industry                                                                                                   | United States of America                       | 99                        | 99          | 99                              | 99          |

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

Details of the subsidiaries are as follows: (cont'd)

| Name of subsidiaries                                      | Principal activities                                                                                                                                                                                        | Country of incorporation/<br>Place of business | Percentage of equity held |             | Proportion of voting power held |             |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------|-------------|---------------------------------|-------------|
|                                                           |                                                                                                                                                                                                             |                                                | 31.12. 2020               | 31.12. 2019 | 31.12. 2020                     | 31.12. 2019 |
|                                                           |                                                                                                                                                                                                             |                                                | %                         | %           | %                               | %           |
| <u>Held through subsidiaries (cont'd)</u>                 |                                                                                                                                                                                                             |                                                |                           |             |                                 |             |
| Guided Wave Europe BVBA <sup>(7)</sup>                    | Marketing and sale of Guided Wave products                                                                                                                                                                  | Belgium                                        | 100                       | 100         | 100                             | 100         |
| Analytical Technology & Control Ltd <sup>(7)</sup>        | Design, manufacture and supply of analysers and specialises in research and development                                                                                                                     | United Kingdom                                 | 100                       | 100         | 100                             | 100         |
| Advanced CAE, Inc. <sup>(11)</sup>                        | Design, fabrication, installation and maintenance of measurement and control instrument                                                                                                                     | United States of America                       | 100                       | 100         | 100                             | 100         |
| Advanced CAE Pte. Ltd. <sup>(1)</sup>                     | Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries | Singapore                                      | 100                       | 100         | 100                             | 100         |
| Advanced China Ventures Pte. Ltd. <sup>(1)</sup>          | Investment holding                                                                                                                                                                                          | Singapore                                      | 100                       | 100         | 100                             | 100         |
| Advanced CAE (ME) Control System L.L.C <sup>(9)</sup>     | Installation and maintenance of measurement and control equipment                                                                                                                                           | United Arab Emirates                           | 100                       | 100         | 100                             | 100         |
| Advanced CAE Saudi Arabia Company Limited <sup>(10)</sup> | Installation and maintenance of measurement and control equipment                                                                                                                                           | Kingdom of Saudi Arabia                        | 100                       | 100         | 100                             | 100         |

<sup>(a)</sup> The Group holds 49% (2019: 49%) effective shareholdings in Advanced Process Equipment (Thailand) Co., Ltd. The entity is accounted for as subsidiary and its results are consolidated in the Group's financial statements as the Group has effective control over these entities via majority representation on the board of directors, its rights arising from contractual arrangements and power over the entity which gives the Group the practical ability to direct its relevant activity and exposure to variable returns from its involvement in the entity.

<sup>(b)</sup> ADV Instrument, LLC was struck off on 20 December 2020.

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore

<sup>(2)</sup> Audited by Peter Chong & Co, Malaysia

<sup>(3)</sup> Audited by Ernst & Young, China

<sup>(4)</sup> Audited by Inter Account 2013 Co., Ltd, Thailand

<sup>(5)</sup> Audited by Campbell Taylor & Company, California, USA

<sup>(6)</sup> Audited by Malone Bailey LLP, Texas, USA

<sup>(7)</sup> Audited by Haines Watts Swindon, United Kingdom

<sup>(8)</sup> Audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany for consolidation purpose only

<sup>(9)</sup> Audited by Ernst & Young, Abu Dhabi, United Arab Emirates.

<sup>(10)</sup> Audited by PKF Al Bassam & Co., Kingdom of Saudi Arabia.

<sup>(11)</sup> Not required to be audited by the laws of the country of incorporation

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

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

Information about the composition of the Group at the end of the financial year is as follows:

| Principal activity                                                                                                                                                                                          | Place of incorporation and operation | Number of wholly-owned subsidiaries |      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|------|
|                                                                                                                                                                                                             |                                      | 2020                                | 2019 |
| Design, engineering, fabrication, integration and supply of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemicals and energy related industries | Singapore                            | 2                                   | 2    |
|                                                                                                                                                                                                             | PRC                                  | 1                                   | 1    |
|                                                                                                                                                                                                             | Malaysia                             | 1                                   | 1    |
| Investment holding                                                                                                                                                                                          | Singapore                            | 3                                   | 3    |
| Marketing and sale of Guided Wave products                                                                                                                                                                  | Singapore                            | 1                                   | 1    |
|                                                                                                                                                                                                             | Belgium                              | 1                                   | 1    |
| Design, manufacture and supply of analysers and specialises in research and development                                                                                                                     | United Kingdom                       | 1                                   | 1    |
| Design, fabrication, installation and maintenance of measurement and control instrument                                                                                                                     | USA                                  | 1                                   | 1    |
| Installation and maintenance of measurement and control equipment                                                                                                                                           | United Arab Emirates                 | 1                                   | 1    |
|                                                                                                                                                                                                             | Kingdom of Saudi Arabia              | 1                                   | 1    |
|                                                                                                                                                                                                             |                                      | 13                                  | 13   |

| Principal activity                                                                                                                                                    | Place of incorporation and operation | Number of non-wholly-owned subsidiaries |      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------|------|
|                                                                                                                                                                       |                                      | 2020                                    | 2019 |
| Design, manufacture and supply of analysers and specialises in research and development                                                                               | USA                                  | –                                       | 1    |
| Manufacture and distribute special valves for chemical and petrochemical related industries                                                                           | Germany                              | –                                       | 1    |
| Manufacture of fiber-optic based spectrophotometers for chemical analysis in the chemical process industry                                                            | USA                                  | 1                                       | 1    |
| Sales and marketing of process equipment, analysers, measurement and controls systems etc. for oil and gas, chemicals and petrochemical and energy related industries | Thailand                             | 1                                       | 1    |
|                                                                                                                                                                       |                                      | 2                                       | 4    |

### Impairment testing on investments in subsidiaries

As at 31 December 2020, the Group carried out a review of the recoverable amounts of its investments in subsidiaries namely Advanced Engineering Holding Pte Ltd ("AEH") CGU and Advanced Environmental Technologies Pte Ltd ("AET") CGU due to the uncertainty global challenging climate surrounding the oil and gas industry.

Management has assessed the recoverable amount of its investments in subsidiaries on the basis of their value-in-use. Based on the assessments, reversals of previously recognised impairment of \$4,840,000 in total was recognised in the Company's statement of comprehensive income, subsequent to an assessment performed on recoverable amount of the investments in subsidiaries at the end of the financial period.

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

# NOTES TO FINANCIAL STATEMENTS

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## Impairment testing on investments in subsidiaries (cont'd)

For determination of value-in-use, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years based on estimated growth rates ranging from 5% to 26% (2019: -40% to 13%) per annum. Long-term growth rate of 1.5% (2019: 1.5%) used to extrapolate cashflows is based on the sustainable growth of the Singapore economy in the future. Adjustments are also made for the effects of liabilities, cash and non-operating assets to determine the recoverable amount of investments in AEH and AET.

The rates used to discount the forecast cash flows are 9.89% to 11.15% (2019: 10.25% to 13.20%) per annum based on the weighted average cost of capital of the respective CGUs.

Sensitivity analysis for CAE CGU is detailed in Note 10.

## 15. Investments in associates

|                                       | Group      |            | Company    |            |
|---------------------------------------|------------|------------|------------|------------|
|                                       | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
|                                       | \$'000     | \$'000     | \$'000     | \$'000     |
| Unquoted equity shares, at cost       | 15,000     | 16,013     | 15,000     | 15,000     |
| Share of post-acquisition results     | (173)      | 4          | –          | –          |
| Less: Allowance for impairment losses | (10,895)   | (11,770)   | (11,000)   | (11,000)   |
|                                       | 3,932      | 4,247      | 4,000      | 4,000      |

On 7 May 2020, the Group disposed of its 30.25% equity interests in its associate, Sofraser S.A.S. ("Sofraser"), for a cash consideration of \$405,000 and recorded a gain on disposal of \$49,000. The cash consideration was received by the Group on 14 May 2020 and Sofraser ceased to be an associate of the Group after the disposal.

Details of the Group's associates are as follows:

| Name of associates                         | Principal activity                                                     | Place of incorporation and operation | Proportion of ownership interest |             | Proportion of voting power held |             |
|--------------------------------------------|------------------------------------------------------------------------|--------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                            |                                                                        |                                      | 31.12. 2020                      | 31.12. 2019 | 31.12. 2020                     | 31.12. 2019 |
|                                            |                                                                        |                                      | %                                | %           | %                               | %           |
| <u>Held by the Company</u>                 |                                                                        |                                      |                                  |             |                                 |             |
| Agricore Global Pte Ltd <sup>(1)</sup> (a) | Palm oil cultivation                                                   | Singapore                            | 12.25                            | 12.25       | 12.25                           | 12.25       |
| <u>Held through subsidiaries</u>           |                                                                        |                                      |                                  |             |                                 |             |
| Sofraser S.A.S <sup>(2)</sup>              | Specialises in research, design and manufacture of process viscometers | France                               | –                                | 30.25       | –                               | 30.25       |

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(2)</sup> Audited by Arnaud Villedieu, France.

<sup>(a)</sup> The Group has significant influence over the associate via representation on the board of directors and participation in policy making process.

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## 15. Investments in associates (cont'd)

Analysis of impairment losses of investments in associates are as follows:

|                                                          | <b>Group</b>      |                   | <b>Company</b>    |                   |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                          | <b>31.12.2020</b> | <b>31.12.2019</b> | <b>31.12.2020</b> | <b>31.12.2019</b> |
|                                                          | \$'000            | \$'000            | \$'000            | \$'000            |
| Balance as at 1 January                                  | 11,770            | 770               | 11,000            | –                 |
| (Credit)/charge to the statement of comprehensive income | (105)             | 11,000            | –                 | 11,000            |
| Disposal of an associate                                 | (770)             | –                 | –                 | –                 |
| Balance as at 31 December                                | 10,895            | 11,770            | 11,000            | 11,000            |

Summarised financial information in respect of the Group's associates are set out below:

|                                                                                  | <b>Sofraser S.A.S</b> |                   | <b>Agricore Global Pte Ltd</b> |                   |
|----------------------------------------------------------------------------------|-----------------------|-------------------|--------------------------------|-------------------|
|                                                                                  | <b>31.12.2020</b>     | <b>31.12.2019</b> | <b>31.12.2020</b>              | <b>31.12.2019</b> |
|                                                                                  | \$'000                | \$'000            | \$'000                         | \$'000            |
| Current assets                                                                   | –                     | 2,161             | 202                            | 281               |
| Non-current assets                                                               | –                     | 179               | 40,125                         | 40,155            |
| Current liabilities                                                              | –                     | (808)             | (1,505)                        | (1,417)           |
| Non-current liabilities                                                          | –                     | –                 | (14,373)                       | (14,088)          |
| Revenue                                                                          | –                     | 1,718             | 8                              | 13                |
| Profit/(loss) for the year, representing total comprehensive income for the year | –                     | 200               | (683)                          | (733)             |

Reconciliation of the above summarised financial information for the carrying amount of the interest in Sofraser S.A.S and Agricore Global Pte Ltd recognised in the consolidated financial statements:

|                                                     | <b>Sofraser S.A.S</b> |                   | <b>Agricore Global Pte Ltd</b> |                   |
|-----------------------------------------------------|-----------------------|-------------------|--------------------------------|-------------------|
|                                                     | <b>31.12.2020</b>     | <b>31.12.2019</b> | <b>31.12.2020</b>              | <b>31.12.2019</b> |
|                                                     | \$'000                | \$'000            | \$'000                         | \$'000            |
| Net assets of the associates                        | –                     | 1,532             | 24,449                         | 24,931            |
| Proportion of the Group's ownership interest        | –                     | 30.30%            | 12.25%                         | 12.25%            |
| Share of net assets (liabilities) of the associates | –                     | 464               | 2,995                          | 3,054             |
| Goodwill                                            | –                     | 583               | 11,856                         | 11,856            |
| Allowance for impairment loss                       | –                     | (770)             | (10,895)                       | (11,000)          |
| Translation differences                             | –                     | 60                | (24)                           | –                 |
| Carrying amount of the investment                   | –                     | 337               | 3,932                          | 3,910             |

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## 15. Investments in associates (cont'd)

### Acquisition of an associate in 2019

On 1 April 2019, the Group acquired 12.25% equity interests in Agricore Global Pte Ltd for a consideration of \$15,000,000.

The fair value of the identifiable assets and liabilities and the cash flow effect of the acquisition of Agricore Global Pte Ltd is as follows:

|                                                      | <b>1 April 2019</b> |
|------------------------------------------------------|---------------------|
|                                                      | \$'000              |
| Current assets                                       | 695                 |
| Non-current assets                                   | 39,383              |
| Current liabilities                                  | (14,144)            |
| Non-current liabilities                              | (269)               |
| Net assets                                           | 25,665              |
| Fair value of net assets acquisition @ 12.25%        | 3,144               |
| <b>Consideration for the acquisition of Agricore</b> |                     |
| Consideration in cash                                | 6,000               |
| Deferred consideration payable (Note 19)             | 9,000               |
|                                                      | 15,000              |
| Goodwill arising on acquisition                      | 11,856              |

### Impairment testing on investment in an associate

Management carried out a review of the recoverable amount of the investment in Agricore Global Pte Ltd ("Agricore") in consideration of Agricore's financial performance during the year and net liabilities position as at the statement financial position date. There was no material change in Agricore's operations during the year.

#### 2020

In 2020, the recoverable amount of the investment in Agricore CGU was determined based on its fair value less cost of disposal. The fair value less costs of disposal was based on market value of the land permits held by Agricore and adjustments made for the effects of liabilities, cash and non-operating assets. The Group engaged Muttaqin Bambang Purwanto Rozak Uswatun & Partners, an independent Indonesian professional valuer to determine the fair value of the land permits.

The valuation techniques and key assumptions were summarised below:

| Description  | Fair value hierarchy | Valuation technique             | Key assumptions                                                                                                                                                                                                                                                |
|--------------|----------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Land permits | Level 3              | Market data comparison approach | Include consideration of: <ul style="list-style-type: none"> <li>Actual transaction prices of similar assets</li> <li>Price and discount offer</li> <li>Ownership rights</li> <li>Specifications and physical condition of the objects being valued</li> </ul> |

Based on the assessment of the recoverable amount for the investment in Agricore CGU, a reversal of previously recognise impairment of \$105,000 was recognised in the statement of comprehensive income.

# NOTES TO FINANCIAL STATEMENTS

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## 15. Investments in associates (cont'd)

### Impairment testing on investment in an associate (cont'd)

2019

In 2019, the recoverable amount was determined by management based on a value-in-use calculation where the cash flow projections were based on financial forecasts by management. Management had determined the forecasted cash flows based on planned developments of Agricare's plantations adjusted for the current market and economic conditions, in which the following key assumptions are used:

- (i) FFB yields : 15.6 to 29.5 Metric Ton ("MT") per hectare

The average FFB yield are based on forecast provided by the Group's management, based on this Group's historical results and industry trend.

- (ii) CPO price : USD652 to USD850 per MT

Projected CPO price was based on the World Bank forecast for up to 2030 and assumed to be flat from 2030 to the end of the projection period.

- (iii) Discount rate : 15.1% per annum

The discount rate applied to the cash flow projection is a combination of both pre-tax and post-tax derived from the weighted average cost of capital of the oil palm plantation sectors on the assumption that funds are available at the prevailing rates and will continue to be available throughout the forecast period.

- (iv) Operating and capital expenses

These assumptions are based on Agricare's plantation budget, historical results and industry trend.

The recoverable amount is highly dependent on a few key assumptions above, in particular CPO price, development plan, and operating and capital expenses which are driven by current and future market and economic conditions. Based on the assessment, an impairment loss of \$11,000,000 was recognised in the statement of comprehensive income. The impairment does not have any impact on the Group's cashflow position.

### Sensitivity analysis

If the CPO price used to derive the value in use calculation had increase/decrease by USD50 per MT and all other key assumptions remain unchanged, the Company's profit for the year ended 31 December 2019 would increase/decrease by \$1,970,000 and \$2,030,000 respectively.

If the discount rate used to derive the value in use calculation had been 50 basis point higher/lower and all other key assumptions remain unchanged, the Company's profit for the year ended 31 December 2019 would decrease/increase by \$830,000 and \$920,000 respectively.

## 16. Investments in joint ventures

|                                                            | Group      |            |
|------------------------------------------------------------|------------|------------|
|                                                            | 31.12.2020 | 31.12.2019 |
|                                                            | \$'000     | \$'000     |
| Unquoted equity shares, at cost                            | –          | 2,103      |
| Loan receivables from a joint venture deemed as investment | –          | 2,127      |
| Share of post-acquisition results                          | –          | (3,152)    |
| Elimination of unrealised profit                           | –          | (31)       |
| Reclassified to investments in subsidiaries                | –          | (1,047)    |
|                                                            | –          | –          |

# NOTES TO FINANCIAL STATEMENTS

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## 16. Investment in joint ventures (cont'd)

Details of the Group's joint ventures are as follows:

| Name of joint ventures                                      | Principal activity                                                | Place of incorporation and operation |
|-------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------|
| Advanced CAE (ME) Control System L.L.C <sup>(1)(a)</sup>    | Installation and maintenance of measurement and control equipment | United Arab Emirates                 |
| Advanced CAE Saudi Arabia Company Limited <sup>(2)(b)</sup> | Installation and maintenance of measurement and control equipment | Kingdom of Saudi Arabia              |

<sup>(a)</sup> In 2019, the Group invested 49% of the shares in Advanced CAE (ME) Control System L.L.C ("CAE ME") but equity accounted for its interest in the joint venture in accordance with its equity contribution ratio of 60% and 60% interest in the net assets of the joint venture as specified in the joint venture agreement.

CAE ME became a subsidiary with effect from 1 May 2019 when the Group gained effective control via its rights arising from contractual arrangements and power over the entity which gives the Group the practical ability to direct their relevant activities and exposure to variable returns from its involvement in this entity.

<sup>(b)</sup> Advanced CAE Saudi Arabia Company Limited ("CAE SA") was incorporated in Saudi Arabia on 28 December 2017. In 2019, the Group invested 60% of the shares in the joint venture and equity accounted for 60% of its interest in the joint venture in accordance with its equity contribution ratio of 60% and 60% interest in the net assets of the joint venture as specified in the joint venture agreement.

CAE SA became a subsidiary with effect from 1 May 2019 when the Group gained effective control via acquisition of the remaining 40% equity interest held by the joint venture partner which gives the Group the practical ability to direct their relevant activities and exposure to variable returns from its involvement in this entity.

<sup>(1)</sup> Audited by Ernst & Young, Abu Dhabi, United Arab Emirates.

<sup>(2)</sup> Audited by PKF Al Bassam & Co., Kingdom of Saudi Arabia.

## 17. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

|                          | Group      |            |
|--------------------------|------------|------------|
|                          | 31.12.2020 | 31.12.2019 |
|                          | \$'000     | \$'000     |
| Deferred tax assets      | 353        | 314        |
| Deferred tax liabilities | (10)       | (30)       |
| Net                      | 343        | 284        |

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdictions) is as follows:

|                                                           | Group  |        |
|-----------------------------------------------------------|--------|--------|
|                                                           | 2020   | 2019   |
|                                                           | \$'000 | \$'000 |
| Balance as at 1 January                                   | 284    | 147    |
| Credit to the statement of comprehensive income (Note 32) | 46     | 140    |
| Translation differences                                   | 13     | (3)    |
| Balance as at 31 December                                 | 343    | 284    |

# NOTES TO FINANCIAL STATEMENTS

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## 17. Deferred tax (cont'd)

|                                 | Group                           |            |                                                |        |
|---------------------------------|---------------------------------|------------|------------------------------------------------|--------|
|                                 | Statement of financial position |            | Consolidated statement of comprehensive income |        |
|                                 | 31.12.2020                      | 31.12.2019 | 2020                                           | 2019   |
|                                 | \$'000                          | \$'000     | \$'000                                         | \$'000 |
| Deferred tax assets             |                                 |            |                                                |        |
| - Provisions and accruals       | 353                             | 314        | 39                                             | 168    |
| - Tax losses                    | –                               | –          | –                                              | (1)    |
|                                 | 353                             | 314        | 39                                             | 167    |
| Deferred tax liabilities        |                                 |            |                                                |        |
| - Property, plant and equipment | (10)                            | (30)       | 20                                             | (30)   |
|                                 | (10)                            | (30)       | 20                                             | (30)   |
| Deferred tax assets, net        | 343                             | 284        | 59                                             | 137    |

Subject to agreement by the tax authorities, the Group has unabsorbed tax losses and credits at the end of the reporting period amounting to \$13,483,000 (2019: \$12,549,000), which are available for offset against future profits. No deferred tax asset has been recognised in respect of the unabsorbed tax losses amounting to \$7,837,000 (2019: \$5,952,000) due to unpredictability of future profit streams. Unabsorbed tax losses at the end of the reporting period arose mainly from the Group's overseas subsidiaries which are subject to statutory corporate income tax rates ranging from 19% to 32% (2019: 19% to 32%). The tax losses of the PRC subsidiary can only be utilised within the five-year periods commencing from the year in which the loss is incurred.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries amounted to \$Nil (2019: \$601,000) for which the deferred tax liabilities have not been recognised was \$Nil (2019: \$60,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 18. Bank borrowings

|                                                                                    | Group      |            | Company    |            |
|------------------------------------------------------------------------------------|------------|------------|------------|------------|
|                                                                                    | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
|                                                                                    | \$'000     | \$'000     | \$'000     | \$'000     |
| Bank loan A                                                                        | 5,167      | 5,511      | –          | –          |
| Bank loan B                                                                        | –          | 937        | –          | –          |
| Bank loan C                                                                        | –          | 912        | –          | –          |
| Bank loan D                                                                        | –          | 183        | –          | –          |
| Bank loan E                                                                        | 2,500      | –          | 2,500      | –          |
| Bank loan F                                                                        | 2,030      | –          | –          | –          |
| Bank loan G                                                                        | 90         | –          | –          | –          |
|                                                                                    | 9,787      | 7,543      | 2,500      | –          |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (1,486)    | (1,033)    | (156)      | –          |
| Less: Amount present as current to be repaid due to breach of financial covenants  | –          | (4,478)    | –          | –          |
| Amount due for settlement after 12 months                                          | 8,301      | 2,032      | 2,344      | –          |
| Classified as held for sale (Note 9)                                               | –          | (2,032)    | –          | –          |
|                                                                                    | 8,301      | –          | 2,344      | –          |
| Classified as:                                                                     |            |            |            |            |
| Current portion                                                                    | 1,486      | 5,511      | 156        | –          |
| Non-current portion                                                                | 8,301      | –          | 2,344      | –          |
|                                                                                    | 9,787      | 5,511      | 2,500      | –          |

# NOTES TO FINANCIAL STATEMENTS

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## 18. Bank borrowings (cont'd)

The Group's bank borrowings comprise of:

- (a) Bank loan A was raised on 30 April 2014. It is secured by the leasehold property at 30 Woodlands Loop, Singapore 738319 (Note 10) and is covered by a corporate guarantee from the Company.

Bank loan A is repayable in 143 monthly instalments of \$86,111 each commencing from 1 May 2014 and a final instalment of \$86,167 on 1 April 2025. During the year, the loan facility has been granted 8 months' moratorium on principal instalments commencing in May 2020 to December 2020 with maturity date extended till 1 December 2025.

Bank loan A bears interest at variable interest rates ranging from 2.23% to 3.79% (2019: 3.56% to 3.95%) per annum.

- (b) In 2019, bank loans B and C comprised two draw downs in July 2016 and September 2016. These loans were secured by the freehold property at Forstweg 7, 52382 Niederzier, Germany (Note 10).

Bank loan B was repayable in 227 monthly instalments of \$4,882 each commencing from 31 March 2017 and a final instalment of \$2,023 on 29 February 2036.

Bank loan C was repayable in 227 monthly instalments of \$4,685 each commencing from 30 June 2017 and a final instalment of \$1,278 on 31 May 2036.

The interest rates for Bank loan B and C were fixed at 1.65% and 1.4% per annum for the first ten years ending on 28 February 2026 and 31 May 2026 respectively. The interest rates for the next ten years were subject to negotiation with the banks.

- (c) In 2019, bank loan D comprised three draw downs in June 2016, July 2016 and August 2016 respectively. This loan was secured by the freehold property at Forstweg 7, 52382 Niederzier, Germany (Note 10).

Bank loan D was repayable in 107 monthly instalments of \$2,403 each commencing from 30 June 2017 and a final instalment of \$1,430 on 31 May 2026.

Bank loan D bore a fixed interest rate of 2.20% per annum.

During the year, the Group disposed of its subsidiary, ZMK to a third party and accordingly, Bank loans B, C and D were derecognised as at the date of disposal.

- (d) Bank loan E is a temporary bridging loan drawdown by the Company and is secured by a corporate guarantee issued by a subsidiary.

Bank loan E is repayable in 47 monthly instalments of \$52,083 each commencing from 1 October 2021 and a final instalment of \$52,083 on 1 September 2025.

Bank loan E bears a fixed interest rate of 2.00% per annum.

- (e) Bank loan F is a temporary bridging loan drawdown by a subsidiary and is secured by a corporate guarantee issued by the Company.

Bank loan F is repayable in 47 monthly instalments of \$42,292 each commencing from 1 June 2021 and a final instalment of \$42,292 on 1 May 2025.

Bank loan F bears a fixed interest rate of 3.00% per annum.

- (f) Bank loan G is an unsecured term loan drawdown by a subsidiary.

Bank loan G is repayable in 72 monthly instalments of \$1,299 each commencing from 25 June 2020 and a final instalment of \$1,604 on 30 June 2026.

Bank loan G bears a fixed interest rate of 2.50% per annum.

# NOTES TO FINANCIAL STATEMENTS

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## 18. Bank borrowings (cont'd)

Bank loan A of the Group amounting to approximately \$5,167,000 (2019: \$5,511,000) includes covenants, amongst others, that require the maintenance of certain financial ratios.

At 31 December 2019, the Group breached one off the financial covenants as the consolidated tangible net worth of the Group was less than the required amount of \$45,000,000. Consequently, non-current amount of \$4,478,000 had been presented as current liability as at 31 December 2019.

During the financial year, the bank covenant for bank loan A was granted a one-off waiver by the lender as at 31 December 2019.

As at 31 December 2020, the Group has complied with financial covenants as required by a bank.

### Reconciliation of liabilities arising from financing activities

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

|                   | 1 January<br>2020 | Financing<br>cash flows <sup>(i)</sup> | Non-cash changes      |                             |                            | 31 December<br>2020 |
|-------------------|-------------------|----------------------------------------|-----------------------|-----------------------------|----------------------------|---------------------|
|                   | \$'000            | \$'000                                 | Lease<br>modification | Disposal of a<br>subsidiary | Translation<br>differences | \$'000              |
| Bank loans        | 7,543             | 4,201                                  | –                     | (2,048)                     | 91                         | 9,787               |
| Lease liabilities | 3,569             | (540)                                  | (343)                 | –                           | 7                          | 2,693               |
|                   | 11,112            | 3,661                                  | (343)                 | (2,048)                     | 98                         | 12,480              |

|                   | 31<br>December<br>2018 | Adoption of<br>SFRS(I) 16 | 1<br>January<br>2019 | Financing<br>cash flows <sup>(i)</sup> | New lease<br>liabilities | Non-cash changes                                                                          |                            | 31<br>December<br>2019 |
|-------------------|------------------------|---------------------------|----------------------|----------------------------------------|--------------------------|-------------------------------------------------------------------------------------------|----------------------------|------------------------|
|                   | \$'000                 | \$'000                    | \$'000               | \$'000                                 | \$'000                   | Disposal<br>of business<br>operations,<br>assets and<br>liabilities<br>of a<br>subsidiary | Translation<br>differences | \$'000                 |
| Bank loans        | 8,791                  | –                         | 8,791                | (1,154)                                | –                        | –                                                                                         | (94)                       | 7,543                  |
| Lease liabilities | –                      | 4,019                     | 4,019                | (501)                                  | 189                      | (141)                                                                                     | 3                          | 3,569                  |
|                   | 8,791                  | 4,019                     | 12,810               | (1,655)                                | 189                      | (141)                                                                                     | (91)                       | 11,112                 |

(i) The cash flows make up the net amount of repayments of borrowings in the statement of cash flows.

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## 19. Trade and other payables

|                                                     | Group      |            |          | Company    |            |
|-----------------------------------------------------|------------|------------|----------|------------|------------|
|                                                     | 31.12.2020 | 31.12.2019 | 1.1.2019 | 31.12.2020 | 31.12.2019 |
|                                                     | \$'000     | \$'000     | \$'000   | \$'000     | \$'000     |
|                                                     |            | (Restated) |          |            |            |
| Trade payables - third parties                      | 3,778      | 7,858      | 7,046    | 13         | 36         |
| Trade payables - associate                          | –          | 39         | 196      | –          | –          |
| Loans from subsidiaries                             | –          | –          | –        | 9,897      | 9,926      |
| Accrued operating expenses                          | 1,653      | 2,761      | 2,989    | 263        | 731        |
| Other payables                                      |            |            |          |            |            |
| - third parties                                     | 2,015      | 799        | 373      | 166        | 10         |
| - related companies                                 | –          | –          | –        | 395        | 204        |
|                                                     | 7,446      | 11,457     | 10,604   | 10,734     | 10,907     |
| Deferred consideration for acquisition of associate | 5,000      | 9,000      | –        | 5,000      | 9,000      |
|                                                     | 12,446     | 20,457     | 10,604   | 15,734     | 19,907     |
| Classified as held for sale (Note 9)                | –          | 4,292      | –        | –          | –          |
|                                                     | 12,446     | 24,749     | 10,604   | 15,734     | 19,907     |
| Classified as:                                      |            |            |          |            |            |
| Current portion                                     | 12,446     | 15,457     | 10,604   | 15,734     | 14,907     |
| Non-current portion                                 | –          | 5,000      | –        | –          | 5,000      |
|                                                     | 12,446     | 20,457     | 10,604   | 15,734     | 19,907     |

The credit period on purchases of goods generally ranges from 30 to 60 days (2019: 30 to 60 days).

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The deferred consideration for acquisition of associate is non-interest bearing and is payable in 2 tranches of \$4,000,000 due 30 September 2020 and \$5,000,000 due 31 March 2021.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 20. Lease liabilities (Group as a lessee)

Set out below are the carrying amounts of lease liabilities recognised and the movement during the year:

|                                                   | <b>Group</b> |
|---------------------------------------------------|--------------|
|                                                   | \$'000       |
| Balance as at 1 January 2019                      | 4,019        |
| Additions                                         | 189          |
| Disposal                                          | (141)        |
| Accretion of interest                             | 135          |
| Payments                                          | (630)        |
| Translation differences                           | (3)          |
| Balance as at 31 December 2019 and 1 January 2020 | 3,569        |
| Modification of lease                             | (343)        |
| Accretion of interest                             | 107          |
| Payments                                          | (649)        |
| Translation differences                           | 9            |
| Balance as at 31 December 2020                    | <u>2,693</u> |

|                     | <b>31.12.2020</b> | <b>31.12.2019</b> |
|---------------------|-------------------|-------------------|
|                     | \$'000            | \$'000            |
| Classified as:      |                   |                   |
| Current portion     | 173               | 433               |
| Non-current portion | 2,520             | 3,136             |
|                     | <u>2,693</u>      | <u>3,569</u>      |

The following are the amounts recognised in the statement of comprehensive income:

|                                                       | Group  |        |
|-------------------------------------------------------|--------|--------|
|                                                       | 2020   | 2019   |
|                                                       | \$'000 | \$'000 |
| Depreciation of right-of-use assets                   | 431    | 522    |
| Interest expense on lease liabilities                 | 107    | 135    |
| Expense relating to short-term leases                 | 28     | 146    |
| Expense relating to leases of low-value assets leases | 27     | 28     |

# NOTES TO FINANCIAL STATEMENTS

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## 21. Provision for warranty

The Group provides 1 to 5 years (2019: 1 to 5 years) of warranty on certain products and undertakes to repair or replace the items that fail to perform satisfactorily. The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for certain products. The estimate has been made on the basis of historical warranty claims and past experiences of the level of repairs and returns.

Movement in provision for warranty:

|                                                 | Group  |        |
|-------------------------------------------------|--------|--------|
|                                                 | 2020   | 2019   |
|                                                 | \$'000 | \$'000 |
| Balance as at 1 January                         | 175    | 337    |
| Disposal                                        | –      | (6)    |
| Charge to the statement of comprehensive income | 6      | 19     |
| Utilisation during the year                     | (9)    | (31)   |
| Disposal of a subsidiary                        | (31)   | –      |
| Classified as held for sale (Note 9)            | –      | (144)  |
| Translation differences                         | 5      | –      |
| Balance as at 31 December                       | 146    | 175    |

## 22. Share capital

| Group and Company |        |               |        |
|-------------------|--------|---------------|--------|
| 2020              |        | 2019          |        |
| No. of shares     | \$'000 | No. of shares | \$'000 |

### Issued and fully paid up:

|                                         |             |        |             |        |
|-----------------------------------------|-------------|--------|-------------|--------|
| Balance as at 1 January and 31 December | 103,521,700 | 47,433 | 103,521,700 | 47,433 |
|-----------------------------------------|-------------|--------|-------------|--------|

Fully paid ordinary shares (excluding treasury shares), which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 23. Treasury shares

| Group and Company |        |               |        |
|-------------------|--------|---------------|--------|
| 2020              |        | 2019          |        |
| No. of shares     | \$'000 | No. of shares | \$'000 |

### Issued and paid up:

|                                         |           |       |           |       |
|-----------------------------------------|-----------|-------|-----------|-------|
| Balance as at 1 January and 31 December | 2,253,333 | 1,837 | 2,253,333 | 1,837 |
|-----------------------------------------|-----------|-------|-----------|-------|

## 24. Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

# NOTES TO FINANCIAL STATEMENTS

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## 25. General reserve

|                          | Group  |        |
|--------------------------|--------|--------|
|                          | 2020   | 2019   |
|                          | \$'000 | \$'000 |
| Balance as at 1 January  | 1,561  | 1,495  |
| Additions for the year   | –      | 66     |
| Balance as at 31 January | 1,561  | 1,561  |

In accordance with the relevant laws and regulations of the PRC, companies in PRC are required to set up a general reserve fund by way of appropriation of funds from its statutory net profit at a rate of 10% (2019: 10%) for each year.

The fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the PRC authorities. The appropriation is required until the statutory reserve reaches 50% of the registered capital. The reserve is not available for distribution to shareholders as dividends.

One of the subsidiaries in Europe has designated a portion of its earnings for the establishment of a legal reserve in compliance with the relevant laws and regulations of Belgium. The subsidiary has elected to establish the maximum allowable reserve, equivalent to 10% of its share capital.

## 26. Revenue

|                                      | Group  |        |
|--------------------------------------|--------|--------|
|                                      | 2020   | 2019   |
|                                      | \$'000 | \$'000 |
| <b>Type of goods or service</b>      |        |        |
| Sales of goods                       | 43,589 | 48,204 |
| Contract income                      | 13,902 | 39,788 |
| Service income                       | 1,296  | 2,276  |
| Commission income                    | 350    | 888    |
|                                      | 59,137 | 91,156 |
| <b>Timing of revenue recognition</b> |        |        |
| At a point in time:                  |        |        |
| Sales of goods                       | 43,600 | 48,204 |
| Commission income                    | 350    | 888    |
|                                      | 43,950 | 49,092 |
| Over time:                           |        |        |
| Contract income                      | 13,902 | 39,788 |
| Service income                       | 1,285  | 2,276  |
|                                      | 15,187 | 42,064 |
|                                      | 59,137 | 91,156 |

# NOTES TO FINANCIAL STATEMENTS

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## 26. Revenue (cont'd)

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

|                 | Group  |        |
|-----------------|--------|--------|
|                 | 2020   | 2019   |
|                 | \$'000 | \$'000 |
| Contract income | 13,042 | 34,840 |
| Service income  | 653    | 532    |
| Total           | 13,695 | 35,372 |

Management expects that 83.9% (2019: 98.5%) of the transaction price allocated to the unsatisfied contracts as of 31 December 2020 amounting to \$11,492,000 (2019: \$34,858,000) will be recognised as revenue during the next reporting period. The remaining \$2,203,000 (2019: \$514,000) will be recognised as revenue in 2022 (2019: 2021).

For sales of goods, the Group applies a practical expedient for not disclosing the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of the reporting period as the performance obligation is part of a contract that has an original expected duration of one year or less at the end of the reporting period.

## 27. Other operating income

|                                     | Group  |        |
|-------------------------------------|--------|--------|
|                                     | 2020   | 2019   |
|                                     | \$'000 | \$'000 |
| Interest income from fixed deposits | 54     | 135    |
| Government grants                   | 1,600  | 63     |
| Rental income                       | 598    | 631    |
| Sundry income                       | 400    | 325    |
|                                     | 2,652  | 1,154  |

Government grants relate to Job Support Scheme, subsidies and cash grant received from the governments of Singapore, United Kingdom and the United States of America.

## 28. Other operating expenses

|                                             | Group  |        |
|---------------------------------------------|--------|--------|
|                                             | 2020   | 2019   |
|                                             | \$'000 | \$'000 |
| Research and development expenses           | 1,734  | 2,669  |
| Amortisation of intangible assets (Note 13) | 26     | 36     |
|                                             | 1,760  | 2,705  |

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## 29. Other gains and losses

|                                                                                      | Group   |         |
|--------------------------------------------------------------------------------------|---------|---------|
|                                                                                      | 2020    | 2019    |
|                                                                                      | \$'000  | \$'000  |
| Allowance for inventories obsolescence                                               | 96      | 136     |
| (Write-back of)/allowance for expected credit loss                                   | (100)   | 115     |
| Loss on disposal of property, plant and equipment                                    | 14      | 354     |
| Loss on modification of lease                                                        | 119     | –       |
| Impairment loss on goodwill                                                          | –       | 186     |
| Gain on disposal of a subsidiary                                                     | (6,456) | –       |
| Gain on disposal of an associate (Note 15)                                           | (49)    | –       |
| Gain on disposal of business operations, assets and liabilities                      | –       | (110)   |
| Gain on bargain purchase arising on acquisition                                      | –       | (1,153) |
| Fair value loss on re-measurement of pre-existing equity interest in a joint venture | –       | 722     |
| (Write-back of)/impairment loss on investment in an associate                        | (105)   | 11,000  |
| Foreign exchange (gain) loss, net                                                    | (895)   | 1,183   |
|                                                                                      | (7,376) | 12,433  |

## 30. Finance costs

|                                       | Group  |        |
|---------------------------------------|--------|--------|
|                                       | 2020   | 2019   |
|                                       | \$'000 | \$'000 |
| Interest expense on bank loans        | 211    | 298    |
| Interest expense on lease liabilities | 107    | 135    |
|                                       | 318    | 433    |

## 31. Profit/(loss) before taxation

Profit/(loss) before taxation is stated at after charging/(crediting):

|                                                  | Group  |            |
|--------------------------------------------------|--------|------------|
|                                                  | 2020   | 2019       |
|                                                  | \$'000 | \$'000     |
|                                                  |        | (Restated) |
| Depreciation of property, plant and equipment    | 3,665  | 2,615      |
| Directors' fees                                  | 150    | 164        |
| Employees benefit expense (including directors)  | 7,192  | 11,770     |
| Defined contribution plans (including directors) | 488    | 562        |
| Cost of inventories recognised as expense        | 44,055 | 64,989     |
| Provision for warranty provision, net            | 6      | 19         |
| Audit fees:                                      |        |            |
| Paid/payable to auditors of the Company          | 173    | 285        |
| Paid/payable to other auditors                   | 207    | 101        |
| Non-audit fees:                                  |        |            |
| Paid/payable to auditors of the Company          | 13     | 7          |
| Paid/payable to other auditors                   | 16     | 29         |

# NOTES TO FINANCIAL STATEMENTS

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## 32. Income tax expense

|                                | Group  |        |
|--------------------------------|--------|--------|
|                                | 2020   | 2019   |
|                                | \$'000 | \$'000 |
| Income tax                     |        |        |
| - Current year                 | 292    | 218    |
| - Overprovision in prior years | (2)    | (289)  |
|                                | 290    | (71)   |
| Deferred tax (Note 17)         | (46)   | (140)  |
| Withholding tax                | 1      | 248    |
|                                | 245    | 37     |

The reconciliation between income tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate for the year ended 31 December was as follows.

|                                                                                | Group   |          |
|--------------------------------------------------------------------------------|---------|----------|
|                                                                                | 2020    | 2019     |
|                                                                                | \$'000  | \$'000   |
| Profit/(loss) before taxation                                                  | 3,309   | (14,706) |
| Tax expense/(benefits) at the applicable tax rate of 17% (2019: 17%)           | 563     | (2,500)  |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (67)    | 140      |
| Tax effect on non-allowable items                                              | 443     | 2,609    |
| Tax effect on non-taxable items                                                | (1,059) | (138)    |
| Effect of tax concessions                                                      | (5)     | (5)      |
| Effect of share of results of associates                                       | 11      | 32       |
| Effect of tax-exempt income and tax relief                                     | (21)    | (35)     |
| Effect of deferred tax assets not recognised                                   | 490     | 45       |
| Withholding tax                                                                | 1       | 248      |
| Overprovision of income tax in prior years                                     | (2)     | (289)    |
| Others                                                                         | (109)   | (70)     |
|                                                                                | 245     | 37       |

## 33. Earnings/(losses) per share

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

|                                                                                                                                                            | Group   |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|----------|
|                                                                                                                                                            | 2020    | 2019     |
|                                                                                                                                                            | \$'000  | \$'000   |
| <b>Earnings/(losses)</b>                                                                                                                                   |         |          |
| Earnings/(losses) for the purposes of basic and diluted earnings/(losses) per share [earnings/(losses) for the year attributable to owners of the Company] | 2,801   | (14,880) |
| <b>Number of shares</b>                                                                                                                                    |         |          |
| Number of ordinary shares outstanding* for the purposes of basic earnings/(losses) per share ('000)                                                        | 101,268 | 101,268  |
| Basic and diluted earnings/(losses) per share (cents)                                                                                                      | 2.77    | (14.69)  |

\* Excludes treasury shares

# NOTES TO FINANCIAL STATEMENTS

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## 33. Earnings/(losses) per share (cont'd)

Diluted earnings/(losses) per share are the same as basic earnings/(losses) per share as there are no dilutive potential ordinary shares. As at the end of the reporting period, no share option was granted.

## 34. Commitments

### (a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

|                                                                 | Group      |            |
|-----------------------------------------------------------------|------------|------------|
|                                                                 | 31.12.2020 | 31.12.2019 |
|                                                                 | \$'000     | \$'000     |
| Capital commitments in respect of property, plant and equipment | 884        | –          |

In December 2019, the Group assessed that leasehold building in China with carrying amount of \$4,400,000, included in the Group's property, plant and equipment was defective due to water leakage and walls cracking. The Group obtained a professional assessment from external consultant indicating that the Group would need to incur approximately \$1,362,000 to rectify the issue. Accordingly, the Group made a provision for repair costs of \$1,362,000 as at 31 December 2019 that was recognised as part of trade and other payables.

During the year, the Group recorded a prior year reclassification to reverse the provision of repair cost of \$1,362,000 with reclassification corresponding entry to accelerated depreciation of property, plant and equipment (as accelerated depreciation to write-down the carrying amount of the building) as no present obligation existed as at 31 December 2019. The restatement for the amounts does not impact the Group's statement of financial position as at 1 January 2019 and the Group's statement of comprehensive income, basic and diluted earnings per share and statement of changes in equity for the year ended 31 December 2019.

During the year, the leakage and cracked walls have worsened. Another external consultant was commissioned to quote for the work required. Based on the assessment and advice from the external consultant, considering the potential safety of workers and condition of the building, the Group has decided to rebuild the building (excluding the usable the structural frame with carrying amount of \$453,000). The total estimated construction cost is approximate \$4,940,000.

The Group also reviewed the remaining useful life of the building in 2020 and as such, accelerated depreciation of \$2,728,000 was recognised for the building for the year ended 31 December 2020. The amount of accelerated depreciation is estimated and recognised to reduce the carrying amount of the building to the recoverable carrying amount of the structural frame that can be reused for the planned rebuild. The accelerated depreciation is not expected to have an effect in the future period.

### (b) Operating lease commitments – as lessee

At 31 December 2020, the Group is committed to \$151,000 (2019: \$70,000) for short-term and low-value assets leases.

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## 34. Commitments (cont'd)

### (c) *Operating lease commitments – as lessor*

Operating leases, in which the Group is the lessor, relate to portion of its property owned by the Group with lease terms of between 1 to 8 years. The lessee does not have an option to purchase the property at the expiry of the lease period. Rental income earned during the year is disclosed in Note 27.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

|                                                   | <b>Group</b>      |                   |
|---------------------------------------------------|-------------------|-------------------|
|                                                   | <b>31.12.2020</b> | <b>31.12.2019</b> |
|                                                   | \$'000            | \$'000            |
| Not later than one year                           | 251               | 459               |
| Later than one year but not later than five years | 488               | 539               |
| Later than five years                             | 163               | 248               |
|                                                   | <b>902</b>        | <b>1,246</b>      |

## 35. Bankers' and financial guarantees

|                                                | <b>Group</b>      |                   |
|------------------------------------------------|-------------------|-------------------|
|                                                | <b>31.12.2020</b> | <b>31.12.2019</b> |
|                                                | \$'000            | \$'000            |
| Bankers' guarantees with recourse to the Group | <b>7,599</b>      | <b>10,349</b>     |

The maximum amount for which the Group could become liable is as shown above.

Bankers' guarantees of \$7,599,000 (2019: \$10,349,000) issued by the banks were drawn on credit facilities secured by the corporate guarantees from the Company and certain fixed deposits (Note 4).

The Company provided corporate guarantees of up to \$61,574,000 (2019: \$59,696,000) to certain banks and financial institutions for credit facilities granted to certain subsidiaries. One of the subsidiaries also provided a corporate guarantee of \$12,500,000 (2019: \$10,000,000) for credit facilities granted to the Company.

In addition to the above corporate guarantees, in 2018, the Company issued a corporate guarantee of \$28,850,000 to a customer to enable a subsidiary to enter into a project contract with the customer. The project was completed in 2018 and the corporate guarantee was discharged during the year when the warranty period expired.

Management has evaluated the fair value of these corporate guarantees and is of the view that the fair value of the benefits derived from these guarantees to the banks and financial institutions is not significant and hence this has not been recognised in the financial statements.

Based on expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the above arrangements.

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

|                      | <b>31.12.2020</b> | <b>31.12.2019</b> |
|----------------------|-------------------|-------------------|
|                      | \$'000            | \$'000            |
| <b>Group</b>         |                   |                   |
| Financial guarantees | <b>12,500</b>     | <b>38,850</b>     |
| <b>Company</b>       |                   |                   |
| Financial guarantees | <b>61,574</b>     | <b>88,546</b>     |

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## 36. Financial instruments, financial risks and capital management

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

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

|                                          | Group      |            | Company    |            |
|------------------------------------------|------------|------------|------------|------------|
|                                          | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
|                                          | \$'000     | \$'000     | \$'000     | \$'000     |
|                                          |            | (Restated) |            |            |
| <b>Financial assets</b>                  |            |            |            |            |
| Financial assets at amortised costs:     |            |            |            |            |
| - Cash and bank balances                 | 31,548     | 16,161     | 2,859      | 4,333      |
| - Trade receivables                      | 12,495     | 11,207     | –          | –          |
| - Other receivables                      | 585        | 1,571      | 9,275      | 7,029      |
|                                          | 44,628     | 28,939     | 12,134     | 11,362     |
| <b>Financial liabilities</b>             |            |            |            |            |
| Financial liabilities at amortised cost: |            |            |            |            |
| - Trade and other payables               | 12,446     | 20,457     | 15,734     | 14,907     |
| - Bank borrowings                        | 9,787      | 5,511      | –          | –          |
| - Lease liabilities                      | 2,693      | 3,569      | –          | –          |
|                                          | 24,926     | 29,537     | 15,734     | 14,907     |

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

There are no financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements at 31 December 2020 and 31 December 2019.

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

The Group's overall policy for financial risk management is to minimise the potential adverse effects from market and credit changes on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

The Group may use forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods. There is no outstanding financial exchange contract as at 31 December 2020 and 2019.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

#### (i) Foreign exchange risk management

The Group transacts business denominated in various foreign currencies, including the United States Dollars ("USD"), Euro ("EUR"), British Pounds ("GBP") and Chinese Renminbi ("RMB") and therefore is exposed to foreign exchange risk.

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## 36. Financial instruments, financial risks and capital management (cont'd)

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

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

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group's entities' functional currencies are as follows:

|                 | Group      |            |             |            |
|-----------------|------------|------------|-------------|------------|
|                 | Assets     |            | Liabilities |            |
|                 | 31.12.2020 | 31.12.2019 | 31.12.2020  | 31.12.2019 |
|                 | \$'000     | \$'000     | \$'000      | \$'000     |
| Denominated in: |            |            |             |            |
| USD             | 11,184     | 9,582      | (631)       | (2,870)    |
| EUR             | 7,829      | 4,241      | (963)       | (3,017)    |
| GBP             | 4          | 184        | (28)        | (34)       |
| RMB             | –          | 67         | (1)         | (1)        |
| Others          | 3          | 3          | (29)        | (68)       |

|                 | Company |        |             |         |
|-----------------|---------|--------|-------------|---------|
|                 | Assets  |        | Liabilities |         |
|                 | 2020    | 2019   | 2020        | 2019    |
|                 | \$'000  | \$'000 | \$'000      | \$'000  |
| Denominated in: |         |        |             |         |
| USD             | 215     | 1,515  | –           | (1,578) |
| EUR             | 4       | 2,264  | –           | –       |

The Group mitigates foreign currency exposure by striving, where possible, to negotiate sales and purchase transactions in the same currency with counterparties. Exposure to foreign currency risks is monitored on an ongoing basis to ensure that net exposure is at an acceptable level by entering into forward contracts as and when necessary.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

#### Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. The 10% sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

## 36. Financial instruments, financial risks and capital management (cont'd)

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

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

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

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, favourable (unfavourable) effects on operating results will be:

|                 | Group  |        | Company |        |
|-----------------|--------|--------|---------|--------|
|                 | 2020   | 2019   | 2020    | 2019   |
|                 | \$'000 | \$'000 | \$'000  | \$'000 |
| Denominated in: |        |        |         |        |
| USD             | 1,055  | 671    | 22      | (6)    |
| EUR             | 687    | 122    | –       | 226    |
| GBP             | (2)    | 15     | –       | –      |
| RMB             | –      | 7      | –       | –      |

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the effect on operating results will be vice versa.

#### (ii) Interest rate risk management

Interest rate risk refers to the risk faced by the Group that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates as a result of fluctuation in interest rates.

The Group's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

The Group's exposure to interest rate risk mainly arises from the Group's fixed deposits placed with banks (Note 4) and certain bank borrowings which bear variable interest rates (Note 18).

Reasonably possible changes on interest rates are not expected to have a material effect in the Group's profit or loss.

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised is as disclosed in Note 35.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

# NOTES TO FINANCIAL STATEMENTS

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## 36. Financial instruments, financial risks and capital management (cont'd)

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

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

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

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

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

| Group             | Note | Internal credit rating | 12-month or lifetime ECL           | Gross carrying amount | Loss allowance | Net carrying amount |
|-------------------|------|------------------------|------------------------------------|-----------------------|----------------|---------------------|
|                   |      |                        |                                    | \$'000                | \$'000         | \$'000              |
| <b>2020</b>       |      |                        |                                    |                       |                |                     |
| Trade receivables | 5    | (a)                    | Lifetime ECL (simplified approach) | 12,607                | (112)          | 12,495              |
| Other receivables | 6    | Performing             | 12-month ECL                       | 585                   | –              | 585                 |
| Contract assets   | 7    | (a)                    | Lifetime ECL (simplified approach) | 3,707                 | (21)           | 3,686               |
|                   |      |                        |                                    |                       | <u>(133)</u>   |                     |
| <b>2019</b>       |      |                        |                                    |                       |                |                     |
| Trade receivables | 5    | (a)                    | Lifetime ECL (simplified approach) | 11,479                | (272)          | 11,207              |
| Other receivables | 6    | Performing             | 12-month ECL                       | 1,571                 | –              | 1,571               |
| Contract assets   | 7    | (a)                    | Lifetime ECL (simplified approach) | 10,376                | –              | 10,376              |
|                   |      |                        |                                    |                       | <u>(272)</u>   |                     |

# NOTES TO FINANCIAL STATEMENTS

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## 36. Financial instruments, financial risks and capital management (cont'd)

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

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

| Company           | Note | Internal credit rating | 12-month or lifetime ECL           | Gross carrying amount<br>\$'000 | Loss allowance<br>\$'000 | Net carrying amount<br>\$'000 |
|-------------------|------|------------------------|------------------------------------|---------------------------------|--------------------------|-------------------------------|
| <b>2020</b>       |      |                        |                                    |                                 |                          |                               |
| Other receivables | 6    | Performing             | 12-month ECL                       | 9,275                           | –                        | 9,275                         |
| Other receivables | 6    | In default             | Lifetime ECL                       | 3,964                           | (3,964)                  | –                             |
| Contract assets   | 7    | (a)                    | Lifetime ECL (simplified approach) | 466                             | –                        | 466                           |
|                   |      |                        |                                    |                                 | <u>(3,964)</u>           |                               |
| <b>2019</b>       |      |                        |                                    |                                 |                          |                               |
| Other receivables | 6    | Performing             | 12-month ECL                       | 6,937                           | –                        | 6,937                         |
| Other receivables | 6    | In default             | Lifetime ECL                       | 4,556                           | (4,464)                  | 92                            |
| Contract assets   | 7    | (a)                    | Lifetime ECL (simplified approach) | 735                             | –                        | 735                           |
|                   |      |                        |                                    |                                 | <u>(4,464)</u>           |                               |

(a) For trade receivables and contract assets, the Group and the Company determine the expected credit losses by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions (Notes 5 and 7).

#### (iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and Company's major classes of financial assets are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with banks and financial institutions that are reputable and creditworthy. For receivables from subsidiaries, the Company considers the historical default experience and the financial position of the subsidiaries. For trade receivables, the Group performs initial and ongoing credit evaluation of its customers' financial condition, monitors payment and extent of credit granted. Before accepting any new customer, the Group will perform credit risk assessment using the financial results of the customer to determine credit-worthiness.

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

The Group and Company do not require or hold collateral on account of its receivables. The maximum exposure to credit risk for each class of financial asset is the carrying amount of that class of financial asset as shown on the statement of financial position.

# NOTES TO FINANCIAL STATEMENTS

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## 36. Financial instruments, financial risks and capital management (cont'd)

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

#### (iv) Credit risk management (cont'd)

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The maximum exposure to credit risk for trade receivables as at the end of the reporting period based on location of the Group's customers is set out as follows:

|                                     | Group  |        |
|-------------------------------------|--------|--------|
|                                     | 2020   | 2019   |
|                                     | \$'000 | \$'000 |
| PRC                                 | 5,751  | 5,393  |
| Singapore                           | 1,118  | 1,381  |
| Other Asian countries               | 2,519  | 2,384  |
| Europe and United States of America | 558    | 466    |
| Middle east                         | 616    | 1,208  |
| Others                              | 1,933  | 375    |
|                                     | 12,495 | 11,207 |

The Group's exposure to credit risk is influenced by individual characteristics of each customer, as well as the demographics of the Group's customer base including the default risk of the industry and country in which customers operate in.

The trade receivables of the Group included 5 debtors (2019: 7 debtors) that individually represented more than 5% of the Group's trade receivables.

Corporate guarantees given by the Company to banks for certain subsidiaries' credit facilities amount to \$61,574,000 (2019: \$59,696,000).

#### (v) Liquidity risk management

To manage liquidity risk, the Group prepares cash flow projections, and reviews its cash requirement on a regular basis. It maintains sufficient level of cash and cash equivalents to enable it to meet its normal operating commitments and secures committed funding facilities from financial institutions.

#### *Liquidity and interest risk analyses*

#### Non-derivative financial assets and liabilities

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

# NOTES TO FINANCIAL STATEMENTS

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## 36. Financial instruments, financial risks and capital management (cont'd)

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

#### (v) *Liquidity risk management (cont'd)*

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

*Non-derivative financial assets and liabilities (cont'd)*

|                                                                                       | Interest/non-interest bearing | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years  | Adjustment   | Total         |
|---------------------------------------------------------------------------------------|-------------------------------|------------------------------------------|----------------------------|---------------------|----------------|--------------|---------------|
|                                                                                       |                               | % per annum                              | \$'000                     | \$'000              | \$'000         | \$'000       | \$'000        |
| <b>Group</b>                                                                          |                               |                                          |                            |                     |                |              |               |
| <b>2020</b>                                                                           |                               |                                          |                            |                     |                |              |               |
| <b>Financial assets</b>                                                               |                               |                                          |                            |                     |                |              |               |
| Trade and other receivables (excluding advance payments to suppliers and prepayments) | Non-interest bearing          | –                                        | 13,080                     | –                   | –              | –            | 13,080        |
| Bank balances                                                                         | Non-interest bearing          | –                                        | 31,065                     | –                   | –              | –            | 31,065        |
| Fixed deposits                                                                        | Fixed interest rate           | 1.93%                                    | –                          | 495                 | –              | (12)         | 483           |
| Total financial assets                                                                |                               |                                          | 44,145                     | 495                 | –              | (12)         | 44,628        |
| <b>Financial liabilities</b>                                                          |                               |                                          |                            |                     |                |              |               |
| Trade and other payables                                                              | Non-interest bearing          | –                                        | 12,446                     | –                   | –              | –            | 12,446        |
| Bank borrowings                                                                       | Variable interest rate        | 2.75%                                    | 1,736                      | 8,915               | –              | (864)        | 9,787         |
| Lease liabilities                                                                     | Fixed interest rate           | 3.47%                                    | 254                        | 619                 | 3,440          | (1,620)      | 2,693         |
| Total financial liabilities                                                           |                               |                                          | 14,436                     | 9,534               | 3,440          | (2,484)      | 24,926        |
| <b>Total financial assets/ (liabilities)</b>                                          |                               |                                          | <b>29,709</b>              | <b>(9,039)</b>      | <b>(3,440)</b> | <b>2,472</b> | <b>19,702</b> |

# NOTES TO FINANCIAL STATEMENTS

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## 36. Financial instruments, financial risks and capital management (cont'd)

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

#### (v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial assets and liabilities (cont'd)

|                                                                                       | Interest/non-interest bearing | Weighted average effective interest rate | On demand or within 1 year | Within 2 to 5 years | After 5 years | Adjustment | Total  |
|---------------------------------------------------------------------------------------|-------------------------------|------------------------------------------|----------------------------|---------------------|---------------|------------|--------|
|                                                                                       |                               | % per annum                              | \$'000                     | \$'000              | \$'000        | \$'000     | \$'000 |
| <b>Group</b>                                                                          |                               |                                          |                            |                     |               |            |        |
| <b>2019</b>                                                                           |                               |                                          |                            |                     |               |            |        |
| <b>Financial assets</b>                                                               |                               |                                          |                            |                     |               |            |        |
| Trade and other receivables (excluding advance payments to suppliers and prepayments) | Non-interest bearing          | –                                        | 12,778                     | –                   | –             | –          | 12,778 |
| Bank balances                                                                         | Non-interest bearing          | –                                        | 15,533                     | –                   | –             | –          | 15,533 |
| Fixed deposits                                                                        | Fixed interest rate           | 1.93%                                    | 625                        | 15                  | –             | (12)       | 628    |
| Total financial assets                                                                |                               |                                          | 28,936                     | 15                  | –             | (12)       | 28,939 |
| <b>Financial liabilities</b>                                                          |                               |                                          |                            |                     |               |            |        |
| Trade and other payables                                                              | Non-interest bearing          | –                                        | 10,457                     | 5,000               | –             | –          | 15,457 |
| Bank borrowings                                                                       | Variable interest rate        | 2.76%                                    | 5,931                      | –                   | –             | (420)      | 5,511  |
| Lease liabilities                                                                     | Fixed interest rate           | 3.47%                                    | 540                        | 1,193               | 3,562         | (1,726)    | 3,569  |
| Total financial liabilities                                                           |                               |                                          | 16,928                     | 6,193               | 3,562         | (2,146)    | 24,537 |
| <b>Total financial assets/ (liabilities)</b>                                          |                               |                                          | 12,008                     | (6,178)             | (3,562)       | 2,134      | 4,402  |

#### (vi) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities approximate their respective fair values either due to short term maturity of these financial assets and financial liabilities, or due to variable interest rates attached to long term bank borrowings.

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 36. Financial instruments, financial risks and capital management (cont'd)

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares or obtain new borrowings.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and accumulated losses. The Group has complied with the externally imposed capital requirements in 2020 and 2019, other than as disclosed in Note 18.

The Group's and Company's overall strategy remains unchanged from 2019.

## 37. Related company transactions

Some of the Company's transactions and arrangements are between members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable upon demand unless otherwise stated.

Significant intercompany transactions:

### Transactions with related companies

|                                                             | Company |        |
|-------------------------------------------------------------|---------|--------|
|                                                             | 2020    | 2019   |
|                                                             | \$'000  | \$'000 |
| Management fee income received/receivable from subsidiaries | 2,305   | 2,991  |

## 38. Other related party transactions

### *Compensation of directors and key management personnel*

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

|                                    | Group  |        |
|------------------------------------|--------|--------|
|                                    | 2020   | 2019   |
|                                    | \$'000 | \$'000 |
| Short-term benefits                | 2,515  | 3,255  |
| Post-employment benefits           | 152    | 196    |
| Total                              | 2,667  | 3,451  |
| Comprises amounts paid/payable to: |        |        |
| - Directors of the Company         | 896    | 946    |
| - Other key management personnel   | 1,771  | 2,505  |
|                                    | 2,667  | 3,451  |

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

# NOTES TO FINANCIAL STATEMENTS

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## 39. Segment information

Management has determined segment based on how information is reported to the Group's chief operating decision maker for the purposes of resource allocation and operating performance review.

The Group's reportable segments under SFRS(I) 8 consist of engineering service and manufacturing for customers operating mainly in the Petrochemicals & Chemicals and Oil & Gas industries. This segment includes contract income from system integration solutions for process analyser and specialty valves, sale of analyser technologies products, maintenance and repair of analysers, specialty valves and systems, and commission income from agency agreements.

The Group's activities are primarily based in the PRC, Singapore, Malaysia, Korea, Japan, Thailand, Europe and USA. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

Segment information about the Group is presented below.

### (a) Analysis by business segment

Segment revenue and profit:

In determining the profit or loss for each reportable segment, segment revenue and cost of sales are the operating revenue and cost of sales reported in the Group's statement of comprehensive income that are directly attributable to a segment. Operating income and expenses include items directly attributable to a segment and the relevant portion of such operating income and expenses that can be allocated on a reasonable basis to a segment. Non-recurring gains or losses such as gain on dilution of investment and goodwill impairment are not allocated.

All inter-segment sales are eliminated on consolidation.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of trade and other receivables, cash and cash equivalents, intangible assets, inventories, contract assets, right-of-use assets and property, plant and equipment, net of allowances and provisions. Segment assets do not include deferred tax assets. Capital additions include the total cost incurred to acquire property, plant and equipment and intangible assets directly attributable to the segment.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, contract liabilities, lease liabilities and bank borrowings. Current and deferred income tax liabilities are not allocated.

# NOTES TO FINANCIAL STATEMENTS

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## 39. Segment information (cont'd)

### (a) Analysis by business segment (cont'd)

Segment information about the Group's revenue and results is presented below:

|                                                   | <b>Engineering service<br/>and manufacturing</b> |             |
|---------------------------------------------------|--------------------------------------------------|-------------|
|                                                   | <b>2020</b>                                      | <b>2019</b> |
|                                                   | \$'000                                           | \$'000      |
| <b><u>Revenue</u></b>                             |                                                  |             |
| External revenue                                  |                                                  |             |
| Petrochemicals and Chemicals                      | 49,225                                           | 78,643      |
| Oil and Gas                                       | 4,896                                            | 10,252      |
| Iron and Steel                                    | 196                                              | 57          |
| Others                                            | 4,820                                            | 2,204       |
| Total revenue                                     | 59,137                                           | 91,156      |
| <b><u>Segment results</u></b>                     |                                                  |             |
| Segment result                                    | (911)                                            | (13,252)    |
| Share of results of associates and joint ventures | (76)                                             | (732)       |
| Interest income                                   | 54                                               | 135         |
| Interest expense                                  | (318)                                            | (433)       |
| Unallocated income/(expenses)                     | 4,560                                            | (424)       |
| Profit/(loss) before taxation                     | 3,309                                            | (14,706)    |
| Income tax expense                                | (245)                                            | (37)        |
| Profit/(loss) for the year                        | 3,064                                            | (14,743)    |
| <b><u>Assets</u></b>                              |                                                  |             |
| Segment assets                                    | 58,340                                           | 69,294      |
| Investments in associates                         | 3,932                                            | 4,247       |
| Deferred tax assets                               | 353                                              | 314         |
| Unallocated assets                                | 16,813                                           | 13,779      |
| Total assets                                      | 79,438                                           | 87,634      |

# NOTES TO FINANCIAL STATEMENTS

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## 39. Segment information (cont'd)

(a) Analysis by business segment (cont'd)

|                                                               | <b>Engineering service<br/>and manufacturing</b> |             |
|---------------------------------------------------------------|--------------------------------------------------|-------------|
|                                                               | <b>2020</b>                                      | <b>2019</b> |
|                                                               | \$'000                                           | \$'000      |
| <b><u>Liabilities</u></b>                                     |                                                  |             |
| Segment liabilities                                           | 14,673                                           | 25,694      |
| Current and deferred tax liabilities                          | 490                                              | 381         |
| Unallocated liabilities                                       | 18,235                                           | 19,831      |
| Total liabilities                                             | 33,398                                           | 45,906      |
| <b><u>Other segment information</u></b>                       |                                                  |             |
| Capital additions:                                            |                                                  |             |
| - Property, plant and equipment                               | 332                                              | 472         |
| - Unallocated property, plant and equipment                   | 2                                                | 2           |
|                                                               | 334                                              | 474         |
| Impairment loss on goodwill                                   | –                                                | 186         |
| (Write-back of)/impairment loss on investment in an associate | (105)                                            | 11,000      |
| Allowance for inventories obsolescence                        | 96                                               | 136         |
| (Write-back of)/allowance for expected credit losses          | (100)                                            | 115         |
| Depreciation and amortisation                                 | 4,082                                            | 3,127       |
| Unallocated depreciation and amortisation                     | 40                                               | 46          |
|                                                               | 4,122                                            | 3,173       |

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 39. Segment information (cont'd)

### (b) Analysis by geographical segment

(i) Analysis of the Group's sales based on the geographical presence of the customers.

|                          | 2020          | 2019          |
|--------------------------|---------------|---------------|
|                          | \$'000        | \$'000        |
| <u>Revenue</u>           |               |               |
| China                    | 25,306        | 32,749        |
| Singapore                | 6,685         | 7,520         |
| South Korea              | 6,432         | 3,627         |
| USA                      | 5,897         | 9,265         |
| Other European Countries | 3,742         | 8,922         |
| Middle East              | 3,030         | 7,423         |
| Kazakhstan               | 2,816         | 4,922         |
| Thailand                 | 2,219         | 2,851         |
| Vietnam                  | 923           | 1,350         |
| Other Asian Countries    | 477           | 1,330         |
| Indonesia                | 345           | 1,810         |
| Netherlands              | 332           | 7,141         |
| Malaysia                 | 210           | 1,135         |
| Others                   | 723           | 1,111         |
|                          | <u>59,137</u> | <u>91,156</u> |

(ii) Analysis of the carrying amount of non-current assets in the geographical area in which the amounts are located.

|                                     | 2020          | 2019          |
|-------------------------------------|---------------|---------------|
|                                     | \$'000        | \$'000        |
| <u>Non-current operating assets</u> |               |               |
| PRC                                 | 2,114         | 4,627         |
| Singapore                           | 20,122        | 21,065        |
| Europe and USA                      | 204           | 955           |
| Others                              | 66            | 144           |
|                                     | <u>22,506</u> | <u>26,791</u> |

### (c) Revenue from major products and services

The Group does not breakdown revenue beyond the categories disclosed in Note 26.

### (d) Information about major customers

During the year, no single customer accounted for more than 10% of the Group's revenue (2019: no single customer accounted for more than 10%).

# NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

## 40. Comparative figures

- (a) Prior year's comparative figures were audited by a firm of Public Accountants and Chartered Accountants other than Ernst & Young LLP.
- (b) As disclosed in Note 34(a), reclassification has been made to each of the affected financial statement line items retrospectively for the prior period, as follows:

### Statement of financial position

|                               | As at<br>31 December<br>2019<br>As previously<br>reported<br>\$'000 | Prior year<br>adjustment<br>\$'000 | As at<br>31 December<br>2019<br>As restated<br>\$'000 |
|-------------------------------|---------------------------------------------------------------------|------------------------------------|-------------------------------------------------------|
| <b>Non-current assets</b>     |                                                                     |                                    |                                                       |
| Property, plant and equipment | 18,799                                                              | (1,362)                            | 17,437                                                |
| <b>Current assets</b>         |                                                                     |                                    |                                                       |
| Trade and other payables      | (16,819)                                                            | 1,362                              | (15,457)                                              |

## 41. Subsequent event

On 31 March 2021, the Company incorporated a wholly-owned subsidiary, Advanced Agri Pte. Ltd. ("AAPL"). The cost of investment was \$100 and the intended principal activity of AAPL is engaged in the business of investment holding.

## 42. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 7 April 2021.

# STATISTICS OF SHAREHOLDINGS

22 MARCH 2021

|                                                       |                                                                           |
|-------------------------------------------------------|---------------------------------------------------------------------------|
| Issued and fully paid capital                         | : \$47,432,531                                                            |
| Number of ordinary shares (excluding treasury shares) | : 101,268,367                                                             |
| Number of treasury shares                             | : 2,253,333                                                               |
| Class of shares                                       | : Ordinary shares                                                         |
| Voting rights                                         | : On a poll: One vote for each ordinary share (excluding treasury shares) |

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 22 MARCH 2021

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares      | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 99                | 95                  | 5.63          | 4,471              | 0.00          |
| 100 - 1,000           | 84                  | 4.98          | 45,602             | 0.05          |
| 1,001 - 10,000        | 948                 | 56.16         | 4,894,383          | 4.83          |
| 10,001 - 1,000,000    | 553                 | 32.76         | 32,440,929         | 32.04         |
| 1,000,001 and above   | 8                   | 0.47          | 63,882,982         | 63.08         |
| <b>Total</b>          | <b>1,688</b>        | <b>100.00</b> | <b>101,268,367</b> | <b>100.00</b> |

## TWENTY LARGEST SHAREHOLDERS AS AT 22 MARCH 2021

| No.          | Shareholder's Name                              | Number of Shares Held | %            |
|--------------|-------------------------------------------------|-----------------------|--------------|
| 1            | WONG KAR KING                                   | 41,402,109            | 40.88        |
| 2            | DBS NOMINEES PTE LTD                            | 5,235,991             | 5.17         |
| 3            | CHIANG TIN TIAH                                 | 5,000,000             | 4.94         |
| 4            | RAFFLES NOMINEES (PTE) LIMITED                  | 2,921,394             | 2.88         |
| 5            | YANG WEIREN                                     | 2,806,566             | 2.77         |
| 6            | YANG XIAOFEI                                    | 2,690,000             | 2.66         |
| 7            | PHILLIP SECURITIES PTE LTD                      | 1,996,589             | 1.97         |
| 8            | WONG SWEE YOKE                                  | 1,830,333             | 1.81         |
| 9            | TOMMIE GOH THIAM POH                            | 805,666               | 0.80         |
| 10           | LIM KHENG JIN JOHN (LIN QINGREN)                | 740,333               | 0.73         |
| 11           | MAYBANK KIM ENG SECURITIES PTE. LTD             | 726,061               | 0.72         |
| 12           | OCBC NOMINEES SINGAPORE PTE LTD                 | 723,634               | 0.71         |
| 13           | BD CORPORATION PTE LTD                          | 670,000               | 0.66         |
| 14           | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 647,133               | 0.64         |
| 15           | KAN SHAW HUAH (JIAN SHAOHUA)                    | 517,800               | 0.51         |
| 16           | IWAN RUSLI @ LIE TJIN VAN                       | 500,000               | 0.49         |
| 17           | LIM KIAN HONG (LIN JIAN HONG)                   | 460,000               | 0.45         |
| 18           | HENG YONG SENG                                  | 450,000               | 0.44         |
| 19           | LAI WENG KAY                                    | 432,700               | 0.43         |
| 20           | PANG CHOONG WEI                                 | 412,900               | 0.41         |
| <b>TOTAL</b> |                                                 | <b>70,969,209</b>     | <b>70.07</b> |

### Note:

The percentage is based on 101,268,367 shares (excluding 2,253,333 shares held as treasury shares) as at 22 March 2021.

# SUBSTANTIAL SHAREHOLDERS

22 MARCH 2021

## SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 22 March 2021)

| Name of Substantial Shareholders | Direct Interest | % <sup>(1)</sup> |
|----------------------------------|-----------------|------------------|
| Dr Wong Kar King                 | 41,402,109      | 40.88            |

### Notes:

- (1) Percentage computed is based on 101,268,367 ordinary shares in issue (excluding 2,253,333 shares held as treasury shares) as at 22 March 2021.

As at 22 March 2021, 2,253,333 ordinary shares are held as treasury shares, representing 2.23% of the total number of issued ordinary shares excluding treasury shares.

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 22 March 2021, approximately 57.3% of the issued ordinary shares of the Company is held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of SGX-ST has been complied with.

### Note:

The percentage is based on 101,268,367 shares (excluding 2,253,333 shares held as treasury shares) as at 22 March 2021.

# NOTICE OF ANNUAL GENERAL MEETING

## ADVANCED HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200401856N)

**NOTICE IS HEREBY GIVEN** that the Seventeenth Annual General Meeting of Advanced Holdings Ltd. (the “Company”) will be held by way of electronic means on **Friday, 30 April 2021 at 2.00 p.m.** to transact the businesses set out below.

This Notice has been made available on SGXNet and the Company's website and may be accessed at the URL <https://advancedholdings.com/media/news/>. A printed copy of this Notice will NOT be despatched to Shareholders.

### ORDINARY BUSINESS

- 1 To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors' Statement and the Auditors' Report of the Company. **(Resolution 1)**
- 2 To re-elect as a Director, Dr Wong Kar King, who is retiring under Article 91 of the Company's Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited.  
  
***Dr Wong Kar King will, upon re-election as a Director of the Company, remain as the Managing Director.*** **(Resolution 2)**
- 3 To re-elect as a Director, Dr Ho Choon Hou, who is retiring under Article 91 of the Company's Constitution.  
  
***Dr Ho Choon Hou will, upon re-election as a Director of the Company, remain as an Independent Director. He will remain as the Chairman of the Nominating Committee and a member of each of the Audit Committee and the Remuneration Committee.*** **(Resolution 3)**
- 4 To approve directors' fees of \$150,000.00 for the financial year ending 31 December 2021, to be paid quarterly in arrears. **(Resolution 4)**
- 5 To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company, to hold office until the conclusion of the next annual general meeting and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
- 6 To transact any other business that may be transacted at an annual general meeting.

### SPECIAL BUSINESS

- 7 To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:  
  
“That pursuant to Section 161 of the Companies Act, Cap. 50 (“**Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:  
  
(a) (i) 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 or 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, 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,

# NOTICE OF ANNUAL GENERAL MEETING

provided always that:

- (I) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 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 (II) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 20% 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 (II) below);
- (II) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the Company at the time of the passing of this Resolution, after adjusting for:
  - (aa) new shares arising from the conversion or exercise of any convertible securities which are issued and outstanding or subsisting at the time of the passing of this Resolution;
  - (bb) new shares arising from exercising share options or vesting of share awards which are issued and outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (cc) any subsequent bonus issue, consolidation or subdivision of shares;
- (III) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual 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
- (IV) unless revoked or varied by the Company in a general meeting, such authority shall 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 the earlier."

[See Explanatory Note (i)]

**(Resolution 6)**

By Order of the Board

Dr Wong Kar King  
Managing Director  
15 April 2021

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Note:

- (i) On 8 April 2020, Singapore Exchange Regulation (“SGX RegCo”) issued a news release which introduced measures to support issuers amid the challenging business and economic climate due to COVID-19, including enabling the acceleration of fund-raising efforts by allowing Mainboard issuers to provisionally seek a general mandate for an issue of shares and convertible securities on a pro-rata basis of up to an aggregate of one hundred per cent (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) (the “**Enhanced Share Issue Limit**”), versus fifty per cent (50%) previously. The Enhanced Share Issue Limit was expressed to remain in force until 31 December 2021.

On 16 March 2021, SGX RegCo issued a news release extending the expiry date for the Enhanced Share Issue Limit. Issuers would have up to 31 December 2021 to seek or renew a general mandate for the Enhanced Share Issue Limit, which would expire at the conclusion of the next annual general meeting or on the date by which the next annual general meeting is required by law or the SGX-ST Mainboard Listing Manual to be held, whichever is the earliest (the “**Expiry Date**”).

The Company is proposing to avail itself of these measures and to seek shareholders’ approval for a general mandate with an Enhanced Share Issue Limit at the Annual General Meeting in the event that circumstances evolving amid the COVID-19 situation reach such an extent that a fifty per cent (50%) limit for pro-rata issues is no longer sufficient to meet the Company’s needs. If this was to occur and no Enhanced Share Issue Limit was to be in place, fund raising efforts would otherwise be unnecessarily hampered and compromised by the time needed to obtain shareholders’ approval to issue shares above the fifty per cent (50%) threshold.

In connection with the Enhanced Share Issue Limit mandate, the Board of Directors is of the view that it would be in the interest of the Company and its shareholders on the basis of the following:

- (a) the Enhanced Share Issue Limit mandate will provide the Company with an option to strengthen its balance sheet, if required;
- (b) the proceeds from such fund raisings may be used to, among others, refinance existing borrowing, to pursue acquisitions or to fund capital expenditures; and
- (c) the Enhanced Share Issue Limit mandate will provide the Company with the flexibility to raise funds expediently, if required.

Accordingly, Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company, effective until the Expiry Date, 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 (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

By the Expiry Date of the Enhanced Share Issue Limit, the shares and/or convertible securities issued pursuant to the Enhanced Share Issue Limit must be listed, and no further shares and/or convertible securities may be issued under that limit.

The Company will notify SGX RegCo, by way of email to [enhancedsharelimit@sgx.com](mailto:enhancedsharelimit@sgx.com), of the date on which the general mandate with the Enhanced Share Issue Limit has been approved by shareholders.

## Notes:

- (1) Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Company’s announcement dated 15 April 2021 entitled “Important Notice to Shareholders Regarding the Company’s Annual General Meeting on 30 April 2021” which has been uploaded together with this Notice on SGXNet on the same day. This announcement may also be accessed at the URL <https://advancedholdings.com/media/news/>.

In particular, the Annual General Meeting will be held by way of electronic means and a member will be able to watch the proceedings of the Annual General Meeting through a “live” webcast via his/her/its mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed via telephone. In order to do so, a member who wishes to watch the “live” webcast or listen to the “live” audio feed must pre-register by 2.00 p.m. on 28 April 2021, at the URL <https://conveneagm.sg/advancedholdings2021agm>. Following authentication of his/her/its status as members, authenticated members will receive email instructions on how to access the webcast and audio feed of the proceedings of the Annual General Meeting by 29 April 2021. Members who have received the email instructions must not forward the email instructions to other persons who are not members or who are not entitled to attend the Annual General Meeting. This is to avoid any technical disruption or overload to the “live” webcast or “live” audio feed.

# NOTICE OF ANNUAL GENERAL MEETING

A member may also submit questions related to the resolutions to be tabled for approval at the Annual General Meeting. To do so, all questions must be submitted by 2.00 p.m. on 28 April 2021:

- (a) via the pre-registration website at the URL <https://conveneagm.sg/advancedholdings2021agm>;
- (b) in hard copy by sending personally or by post and lodging the same at the registered office of the Company at 30 Woodlands Loop, Singapore 738319; or
- (c) by email to [agm2021@advancedholdings.com](mailto:agm2021@advancedholdings.com).

Members will need to identify themselves when posing questions by email or by mail by providing the following details:

- (a) the member's full name as it appears on his/her/its CDP/CPF/SRS share records;
- (b) the member's NRIC/Passport/UEN number;
- (c) the member's contact number and email address; and
- (d) the manner in which the member holds his/her/its shares in the Company (e.g. via CDP, CPF or SRS).

The Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its shareholder status.

The Company will address substantial and relevant questions relating to the resolutions to be tabled for approval at the Annual General Meeting as received from members either before or during the Annual General Meeting.

Please note that members will not be able to ask questions at the Annual General Meeting "live" during the webcast and the audio feed, and therefore it is important for members to submit their questions in advance of the Annual General Meeting.

- (2) **A member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Annual General Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.** In appointing the Chairman of the Annual General Meeting as proxy, a member (whether individual or corporate) 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. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the URL <https://advancedholdings.com/media/news/> and has also been made available on SGXNet.
- (3) The Chairman of the Annual General Meeting, as proxy, need not be a member of the Company. The instrument appointing the Chairman of the Annual General Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
  - (a) if submitted via the pre-registration website, be submitted via the URL <https://conveneagm.sg/advancedholdings2021agm> in the electronic format accessible on the said website;
  - (b) if sent personally or by post, be deposited at the registered office of the Company at 30 Woodlands Loop, Singapore 738319; or
  - (c) if submitted by email, be received by the Company at [agm2021@advancedholdings.com](mailto:agm2021@advancedholdings.com),

in any case, not less than 48 hours before the time for holding the Annual General Meeting, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms personally or by post, members are strongly encouraged to submit completed proxy forms electronically via the pre-registration website or email.**

- (4) The instrument appointing the Chairman of the Annual General Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Annual General Meeting as proxy is executed by a Company, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
- (5) In the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the Annual General Meeting as proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# NOTICE OF ANNUAL GENERAL MEETING

- (6) Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), including CPF and SRS investors, and who wish to participate in the Annual General Meeting ("**Relevant Intermediary Participants**") by (a) observing and/or listening to the Annual General Meeting proceedings via the "live" webcast or the "live" audio feed in the manner provided in Note 1 above; (b) submitting questions in advance of the Annual General Meeting in the manner provided in Note 1 above; and/or (c) appointing the Chairman of the Annual General Meeting as proxy to attend, speak and vote on their behalf at the Annual General Meeting, should contact the relevant intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) through which they hold such shares as soon as possible in order to facilitate the necessary arrangements for them to participate in the Annual General Meeting. CPF or SRS investors who wish to appoint the Chairman of the Annual General Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 2.00 p.m. on 20 April 2021.
- (7) The Annual Report for the financial year ended 31 December 2020 may be accessed at the Company's website at the URL <https://advancedholdings.com/investors/annual-report/> under "Annual Report 2020". The Annual Report has also been made available on SGXNet.

## **Personal Data Protection:**

By pre-registering for the "live" webcast, submitting an instrument appointing the Chairman of the Annual General Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, or submitting any details of Relevant Intermediary Participants in connection with the Annual General Meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof), the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), the publication of the names and comments of the members at the Annual General Meeting and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the 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.



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# PROXY FORM

## ANNUAL GENERAL MEETING ADVANCED HOLDINGS LTD.

Company Registration Number: 200401856N  
(Incorporated in the Republic of Singapore)

### IMPORTANT:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Company's announcement dated 15 April 2021 entitled "Important Notice to Shareholders Regarding the Company's Annual General Meeting on 30 April 2021" which has been uploaded together with the Notice of Annual General Meeting dated 15 April 2021 on SGXNet on the same day. The announcement may also be accessed at the URL <https://advancedholdings.com/media/news/>.
2. A member will not be able to attend the Annual General Meeting in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Annual General Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman as proxy, a member (whether individual or corporate) 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.
3. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 2.00 p.m. on 20 April 2021.
4. This form of proxy has been made available on SGXNET and the Company's website and may be accessed at the URL <https://advancedholdings.com/media/news/>. A printed copy of this form of proxy will NOT be dispatched to members.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/UEN No.)  
of \_\_\_\_\_ (Address)

being a \*member/members of Advanced Holdings Ltd. (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting as my/our proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held by way of electronic means on Friday, 30 April 2021 at 2.00 p.m. and at any adjournment thereof.

I/We direct the Chairman of the Annual General Meeting as my/our proxy to vote for, against and/or abstain from voting on the Resolutions to be proposed at the Annual General Meeting as indicated hereunder:

| No. | Resolutions Relating To:                                             | For | Against | Abstain |
|-----|----------------------------------------------------------------------|-----|---------|---------|
|     | <b>Ordinary Business</b>                                             |     |         |         |
| 1.  | Adoption of Financial Statements                                     |     |         |         |
| 2.  | Re-appointment of Dr Wong Kar King                                   |     |         |         |
| 3.  | Re-appointment of Dr Ho Choon Hou                                    |     |         |         |
| 4.  | Approval of Directors' Fees for FY2021, payable quarterly in arrears |     |         |         |
| 5.  | Re-appointment of Messrs Ernst & Young LLP as Auditors               |     |         |         |
|     | <b>Special Business</b>                                              |     |         |         |
| 6.  | Authority to allot and issue new shares                              |     |         |         |

\* If you wish to exercise all your votes "For" or "Against" the Resolution or to abstain from voting on the Resolution in respect of all your votes, please indicate your vote "For" or "Against" or "Abstain" with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

\_\_\_\_\_  
Signature of Shareholder(s) or Common Seal

**Important: Please read notes overleaf**

### Number of Shares held in

|                   |  |
|-------------------|--|
| CDP Register      |  |
| Member's Register |  |
| <b>TOTAL</b>      |  |

**Notes:**

1. A member will not be able to attend the Annual General Meeting in person. If a member (individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Annual General Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman of the Annual General Meeting as proxy, a member (whether individual or corporate) 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.
2. The Chairman of the Annual General Meeting, as proxy, need not be a member of the Company.
3. Please insert the total number of ordinary shares held by you. If you have ordinary shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of ordinary shares. If you have ordinary shares registered in your name in the Register of Members, you should insert that number of ordinary shares. If you have ordinary shares entered against your name in the Depository Register and ordinary shares registered in your name in the Register of Members, you should insert the aggregate number of ordinary 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 Proxy Form shall be deemed to relate to all the ordinary shares held by you.
4. The instrument appointing the Chairman of the Annual General Meeting as proxy must be submitted to the Company in the following manner:
  - (a) via the URL <https://conveneagm.sg/advancedholdings2021agm> (the “**AHL AGM Website**”) in the electronic format accessible on the AHL AGM Website;
  - (b) if sent personally or by post, be deposited at the registered office of the Company at 30 Woodlands Loop, Singapore 738319; or
  - (c) if submitted by email, be received by the Company at [agm2021@advancedholdings.com](mailto:agm2021@advancedholdings.com),

in any case, not less than 48 hours before the time set for the Annual General Meeting, and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via the AHL AGM Website or email.**

5. If sent personally or by post, the instrument appointing the Chairman of the Annual General Meeting as proxy of an individual must be under the hand of the appointor or of his attorney duly authorised in writing and the instrument appointing the Chairman of the Annual General Meeting as proxy of a corporation must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing the Chairman of the Annual General Meeting as proxy is submitted by email, it must be authorised in the following manner:
  - (a) by way of the affixation of an electronic signature by the appointor or his/her duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
  - (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.
7. Where an instrument appointing the Chairman of the Annual General Meeting as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

**General:**

The Company shall be entitled to reject the Proxy Form 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 Proxy Form (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Annual General Meeting as proxy). In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any Proxy Form lodged if the member, being the appointor, is not shown to have ordinary shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Protection:**

By attending the Annual General Meeting and/or any adjournment thereof or 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.



## **ADVANCED HOLDINGS LTD**

Company Registration No. 200401856N

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