SINOPIPE HOLDINGS LIMITED
中国管业控股有限公司

ANNUAL REPORT 2019

CONTENTS

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

On behalf of the Board of Directors (the "Board") of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to present to you the annual report for the financial year ended 31 December 2019 ("FY2019").

2019 highlights and financial review

The Company is deemed to be a cash company under Rule 1018 of the SGX-ST Listing Manual following the disposal of the Group's discontinued plastic pipe operations in FY2018. The Group recorded administrative expenses amounting to RMB2.16 million which comprised mainly human resources expenses, professional fees, annual listing fees, general and office expenses. As a result of the above, the Group incurred net loss of RMB2.16 million in FY2019.

The Company had collected the outstanding disposal consideration balance of RMB 3.1 million in FY2019. A sum of SGD378,000, approximately RMB1.96 million was deposited in an Escrow Account opened with a bank in Singapore.

The assets of the Company at the financial year ended FY2019 comprised mainly cash and bank balances of RMB 2.94 million which included the balance of the above-mentioned escrow account. Group's total payables of RMB 8.24 million comprised mainly accruals and provision for professional fees, directors' fees, amount due to a former executive officer and amount due to a shareholder.

Potential Acquisition of business and assets

The Board is currently in discussions with a potential white knight investor for acquisition of its business and assets with the objective of relisting the Company. This white knight investor is a company incorporated in Singapore and is a well-established heavy equipment turnkey engineering solution provider that serves primarily the global port, construction, foundation and logistics industries. The Board will keep Shareholders updated of significant developments as and when appropriate.

Appreciation

I would like to take this opportunity to thank our two independent directors who have committed much time and efforts in the last one year to help source for investors to restructure the Group and relist the Company.

Thank you.

Wang Sen
Non-Executive Chairman

OPERATIONS AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

Other income in FY2019 which consists of interest income of RMB2,000, decreased by RMB526,000, compared to RMB528,000 in FY2018 which comprised mainly reversal of provision for withholding tax of RMB373,000 and working capital advance payable of RMB143,000 waived under the disposal agreement in FY2018.

Administrative expenses decreased by RMB51,000 from RMB2.21 million in FY2018 to RMB2.16 million in FY2019 mainly due to decrease in directors' fee of RMB346,000 and offset by increase in foreign exchange loss by RMB295,000.

As a result of the above, Group's net loss from continuing operation increased by RMB455,000 from RMB1.71 million in FY2018 to RMB2.16 million in FY2019 mainly due to lower Other income recorded in FY2019.

The Group disposed of the discontinued plastic pipe operations in FY2018. As such, comparison of the operating results from discontinued operations is not meaningful.

FINANCIAL POSITION

As at 31 December 2019, Group's assets was RMB3.0 million comprised mainly cash and cash equivalent of RMB 2.9 million and Group's liabilities was RMB 8.2 million which were mainly outstanding directors' fees, remuneration due to a former executive officer, amount due to a shareholder as well as accruals of professional fees.

CASH FLOWS

The Group registered net increase in cash and bank balances of RMB1.4 million in FY2019. The net increase was mainly due to the receipts of outstanding Disposal Consideration of RMB3.1 million after offset by cash outflows of RMB1.7 million disbursed for corporate and administrative expenses for FY2019.

As at 31 December 2019, the Group had cash and cash equivalents of RMB982,000 net of restricted bank balances of RMB1.96 million.

BOARD OF DIRECTORS

Mr Wang Sen

Mr Wang is the Company's Non-Executive Chairman. He was appointed as a Director of the Company on 22 September 2012. Mr Wang is a member of the Audit Committee and Nominating Committee. He has been a Director of Faith Start Holdings Limited since 2010 and the Chairman of the Board of Max Rich Management Ltd since 2008. Mr Wang graduated from Shangdong Finance University with Bachelor of Public Finance. Mr Wang was last re-elected on 24 November 2017.

Mr Chew Heng Ching

Mr Chew was appointed as an Independent Non-Executive Director on 4 November 2011 and as a Deputy Non-Executive Chairman of our Company on 15 October 2012. Mr Chew retired pursuant to Article 107 of the Constitution of the Company on 9 September 2016. He was re-appointed on 15 September 2016. Mr Chew is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Mr Chew has more than 30 years of senior management experience in both the private and public sectors. Mr Chew is the founding President and Past Chairman of the Singapore Institute of Directors. He sits on the board of various publicly listed companies in Singapore and chairs their various Board Committees. He is also a Board member and Past Chairman of the Singapore International Chamber of Commerce. He was a Council Member of the Singapore Business Federation. Mr Chew was a Member of Parliament from 1984 to 2006 and a former Deputy Speaker of the Singapore Parliament.

A Colombo Plan scholar, Mr Chew is a graduate in Industrial Engineering (1st Class Honours) and Economics. He also holds an Honorary Doctorates in Engineering. He is a fellow of the Singapore Institute of Directors and CPA Australia. Mr Chew was last re-elected on 29 April 2019.

Mr Soh Beng Tiong

Mr Soh was appointed as an Independent Non-Executive Director of our Company on 8 May 2012 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Soh has been involved in operational and financial management of manufacturing, agriculture and real estate development for the past 40 years. Mr Soh was last re-elected on 26 June 2018.

CORPORATE INFORMATION

Board of Directors
Wang Sen
(Non-Executive Chairman)

Chew Heng Ching
(Deputy Non-Executive Chairman and Independent Director)

Soh Beng Tiong
(Independent Director)

Audit Committee
Chew Heng Ching *(Chairman)*
Soh Beng Tiong
Wang Sen

Nominating Committee
Chew Heng Ching *(Chairman)*
Soh Beng Tiong
Wang Sen

Remuneration Committee
Soh Beng Tiong *(Chairman)*
Chew Heng Ching

Joint Company Secretaries
Phang Kong Juan
Chew Bee Leng

Registered Office
80 Raffles Place
#32-01 UOB Plaza 1
Singapore 048624
Telephone: +65 6225 2626
Facsimile: +65 6225 1838

Principal Places of Business
16 Ayer Rajah Crescent
#07-04
Singapore 139965
Telephone: +65 6223 8230
Facsimile: +65 6223 8279

Company Registration Number
200411382N

Share Registrar
RHT Corporate Advisory Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

Auditors
Mazars LLP
135 Cecil Street #10-01
MYP Plaza
Singapore 069536

Partner-in-charge: Tan Chee Tyan
(with effect from financial year 2016)

Principal Banker
HL Bank
1 Wallich Street
#29-01 Guoco Tower
Singapore 078881

Standard Chartered Bank (Singgapore) Limited
Marina Bay Financial Centre (Tower l) Level 23
8 Marina Boulevard
Singapore 018981

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report describes the corporate governance structures and practices of Sinopipe Holdings Limited (the "Company") and its subsidiaries (the "Group") with specific reference to each of the principles and provisions of the Code of Corporate Governance 2018 (the "Code") and accompanying Practice Guidance issued in August 2018. The Board confirms that, for the financial year ended 31 December 2019 ("FY2019"), the Group has generally adhered to the principles and guidelines set out in the Code. Any deviations from the Code are disclosed and explained in this report. For proper reference, the principles of the Code under discussion are identified in bold.

BOARD MATTERS

Board's Conduct of its Affairs

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

The Company is effectively headed by a board of Directors (the "Board") to lead and control it. Apart from its statutory duties and responsibilities, the Board is collectively responsible for the long-term success of the Group and it works with the management of the Company (the "Management") to achieve this objective. The Management is accountable to the Board who oversees the affairs of the Group and focuses on strategies and policies, with particular attention paid to growth and financial performance. The Board delegates the formulation of business policies and day-to-day management to the Executive Directors.

The Board is responsible for:

1. providing entrepreneurial leadership, setting strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

2. establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding the interests of shareholders and the Group's assets;

3. reviewing Management performance;

4. setting the Group's values and standards, and ensuring that obligations to shareholders and other key stakeholders are understood and met;

5. ensuring the Group's compliance with laws, regulations, policies, directives, guidelines and internal code of conduct;

6. ensuring the Group's compliance with good corporate governance practices;

7. approving quarterly, half-year and financial statements; and

8. considering sustainability issues as part of its strategic formulation in line with the recommendation of the Code.

All Directors objectively make decisions and discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Where a director has a conflict or potential conflict of interest in relation to any matter, he should declare his interest when the conflict-related matter is discussed, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he shall abstain from voting in relation to the conflict related matters.

The Board also delegates certain of its functions to the Audit Committee, Nominating Committee and Remuneration Committee (together, the "Board Committees") and their functions are described separately under the various sections of each committee below. Each committee has its own written terms of reference and operating procedures.

The board approval is required for all matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business. The types of material transactions that require board approval are major funding proposals, material acquisition and disposal of subsidiaries or assets and liabilities, corporate or financial restructuring and interested person transactions of a material nature, significant capital expenditure and investment and divestment proposal, dividend payments (if any).

The Board is scheduled to meet at least four times a year and as and when warranted by circumstances. The Company's Constitution allow a board meeting to be conducted by way of a telephone or video conference or by means of similar communications equipment whereby all persons participating in the meeting are able to hear each other.

The number of meetings of the Board and the Board Committees held in FY2019 and the attendance of the Directors (who were in office in FY2019) are set out in the table below:

Directors' attendance at meetings of the Board and the Board Committees

	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Chew Heng Ching	4	4	4	4	1	1	1	1
Soh Beng Tiong	4	4	4	4	1	1	1	1
Wang Sen	4	4	4	4	1	1	N/A	N/A

The Directors have several years of corporate experience as Directors in other companies and are familiar with their duties and responsibilities as Directors. In addition, the Directors and key executives have the opportunity to attend relevant trainings to enhance their knowledge, particularly on relevant new laws, regulations and changing commercial risks from time to time funded by the Company. For first-time directors, the Company will also arrange and fund the training in area such as accounting, legal and industry-specific knowledge as appropriate for them.

Newly appointed Directors will be issued with a formal letter by the Company Secretary explaining their duties and obligations as a Director upon their appointment. They will be given an orientation program to familiarise themselves with the Company's operations.

Whenever necessary, the senior management staff will be invited to attend the meetings of the Board and Audit Committee to answer queries and provide detailed insights into their areas of operations. The Board, either individually or as a group, has separate and independent access to the senior management staff.

Draft agendas for Board and Board Committees meetings are circulated in advance to the respective Chairman, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda. Quarterly management financial statements and disclosure documents are provided to the Board, where appropriate, prior to the Meetings.

The Board also has separate and independent access to the Company Secretary. Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and the Board Committees and between the Management and the Non-Executive Directors, as well as facilitates orientation and assists with professional development as required. The Company Secretary attends all meetings of the Board and the Board Committees. The Company Secretary assists the Board to ensure that the board procedures and relevant rules and regulations are complied with. Under the Constitution, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Management provides regular updates to the Directors from time to time and, when applicable, as and when requested by the Directors.

The Directors, whether as a group or individually, are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense.

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.

Currently, the Board consists of three (3) Non-Executive Directors of whom two (2) are independent. Non-Executive Directors make up a majority of the Board. The list of Directors is as follows:

Wang Sen	(Non-Executive and Non-Independent Director)
Chew Heng Ching	(Non-Executive and Independent Director)
Soh Beng Tiong	(Non-Executive and Independent Director)

The profile of the Directors is found on page 3 of this Annual Report.

Wang Sen is the Non-Executive and Non-Independent Chairman of the Company. Under Provision 2.2 of the Code, Independent directors make up a majority of the Board where the Chairman is not independent. The Company's Independent Directors make up two-third of the Board.

The Board has examined its size and is of the view that the current board size is appropriate for effective decision-making, taking into account the core competencies and experience of its members and the Company's current operation as a cash company under Rule 1018 of the SGX-ST Listing Manual.

The Board consists of individuals from different backgrounds whose core competencies, qualifications, skills and experience include mainly accounting and business management. None of the Independent Directors have any 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 their independent business judgement in the best interests of the Company.

The composition of the Board and independence of each Non-Executive Director are reviewed annually by the Nominating Committee ("NC"). The Board, taking into account the views of the NC, is satisfied as to the independence of all the Independent Directors. The NC adopts the guidelines of the Code in its review of who can be considered as an Independent Director.

Non-Executive Directors contribute to the Board process by offering independent views and opinions that provide alternative prospective to the Management's business proposals and strategies and by reviewing the Management's performance in meeting goals and objectives.

Independent directors meet amongst themselves quarterly and on an ad hoc basis without the presence of Management. Following those meetings, they provided feedback to Chairman on specific issues or matters relating to the Group.

Currently, there is no alternate director on the Board.

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 Board has not appointed a Chief Executive Officer ("CEO") after the disposal of the Group's plastic pipe operations in the People's Republic of China (the "Disposal"). Taking into consideration that the Company is presently a cash company with no significant business activities, the Board is of the view that the Company does not need a CEO.

The Chairman of the Company is Mr. Wang Sen. He is assisted by Deputy Chairman, Mr. Chew Heng Ching, who is an Independent Director. Mr Wang is responsible for the effective working of the Board. As the Chairman, his responsibilities include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;

2. ensuring that the Directors receive accurate, timely and clear information;

3. ensuring effective communication and preserving harmonious relations with the shareholders;

4. encouraging constructive relations between the Board and Management and between the Executive Directors and Non-Executive Directors;

5. facilitating the effective contribution of the Non-Executive Directors in particular;

6. promoting culture of openness and debate at the Board;

7. promoting high standards of corporate governance and ensuring the Group's compliance with the Code; and

8. acting in the best interest of the Group and the shareholders.

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 members of the NC are as follows:

Chew Heng Ching	(Chairman)
Soh Beng Tiong	(Member)
Wang Sen	(Member)

In FY2019, the NC is made up of three Non-Executive Directors, a majority of them including Chairman are independent. The NC is scheduled to meet at least once a year and as and when warranted by circumstances. The NC is regulated by a set of terms of reference and performs the following key functions:

1. making recommendations to the Board on all Board and key management personnel appointments;

2. re-nomination of the Directors having regard to each Director's contribution and performance, including, if applicable, as an Independent Director;

3. determining annually whether or not a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and

4. deciding whether or not a Director is able to and has adequately carried out his duties as a Director.

New Directors are appointed by way of a board resolution after the NC has assessed their qualification and recommended to the Board for appointment. Such new Directors are required to submit themselves for re-election at the AGM held immediately after appointment. Pursuant to the Company's Constitution, all Directors are required to submit themselves for re-election at least once every three years.

In its search and nomination process for new directors, the NC will search companies, personal contacts and recommendations to cast its net as wide as possible for the suitable candidates.

The NC is satisfied that sufficient time and attention has been dedicated by the Directors to the affairs of the Company and the Directors have adequately carried out their duties as Directors of the Company during FY2019, despite their other board representations and/or personal commitments. The Board has not experienced competing time commitments among its Board members and Board Committee meetings are planned and scheduled in advance. The NC and the Board will review the need for a maximum number of listed company board representation which Directors may hold in due course.

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 has established a formal appraisal process to be carried out by the NC for assessing the performance and effectiveness of the Board as a whole as well as to assess the individual Directors for their contribution and their commitment to their role. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are approved by the Board and they address how the Board has enhanced long term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board. The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC.

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.

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.

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.

In FY2019, the Remuneration Committee ("RC") comprises the following Directors:

Soh Beng Tiong	(Chairman)
Chew Heng Ching	(Member)

The RC is made up of Non-Executive Directors, all of them including the Chairman are independent so as to minimise the risk of any potential conflict of interest.

The RC is scheduled to meet at least once a year and as and when warranted by circumstances. The RC is regulated by a set of terms of reference and has access to independent professional advice inside and outside the Company, if necessary, in respect of the remuneration of all Directors and key executives.

The RC's main duties are:

1. to review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Directors and key executives, including those employees related to the Executive Directors and controlling shareholders of the Group, if any, bearing in mind the need for a cautious comparison (in order to prevent the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance) of pay and employment conditions of comparable companies in the same or similar industries, and to submit such recommendations for endorsement by the entire Board; and

2. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

As part of its review, the RC shall ensure that:

1. all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kinds are covered;

2. the remuneration packages of Directors and key executives are comparable to companies in same or similar industries and that for Executive Directors, a significant proportion of such remuneration packages include performance-related elements;

3. the performance-related elements mentioned above are designed to align interests of Executive Directors with those of shareholders, that they link rewards to corporate and individual performance and that there are appropriate and meaningful measures for the purpose of assessing such performance-related elements in respect of Executive Directors;

4. the level of remuneration of Non-Executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, but also bearing in mind that Non-Executive Directors are not over-compensated to the extent that their independence may be compromised;

5. the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Group successfully without such levels being more than is necessary for this purpose; and

6. the remuneration package of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account the pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of each individual Director or key executive.

The remuneration policy for Executive Directors and key executives consists of two components, namely fixed cash and annual variable. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises of performance based bonus which, for Executive Directors, forms a significant proportion of their total remuneration package and is payable on the achievement of corporate and individual performance targets.

The Company has no long-term incentive schemes such as offer of shares or granting of options in place as it considers that it is not cost effective to administer such schemes currently.

The Non-Executive and Independent Directors do not have any service contracts. They are paid a basic fee and additional fees for serving on any of the Board Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. The Board recommends payment of such fees to be approved by shareholders at the AGM of the Company.

The Executive Directors are paid in accordance with their respective service agreements. These service agreements are not excessively long and they do not have onerous removal clauses. The Executive Directors or the Company may terminate the service agreement by giving to the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the Executive Director's last drawn salary. The RC aims to be fair and avoids rewarding poor performance, if any.

The RC will consider recommendation by the Code and may recommend the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company.

Taking note of the competitive pressure in the talent market, the Board has, on review, decided not to disclose the remuneration of the Directors and key executives in full.

A breakdown, showing the level and mix (in percentage terms) of each individual Director's remuneration for FY2019 is as follows:

Name of Director	**Base/fixed Salary %**	**Fees %**	**Variable or Bonus %**	**Other Benefits %**	**Total Remuneration %**
Below S$250,000					
Wang Sen	–	100	–	–	100
Chew Heng Ching	–	100	–	–	100
Soh Beng Tiong	–	100	–	–	100

Disclosure of the key executives' remuneration in bands of S$250,000 for FY2019 is as follows:

Name of Key Executive	**Salary %**	**Performance Bonus %**	**Other Benefits %**	**Total Remuneration %**
Below S$250,000				
Phang Kong Juan	100	–	–	100

There is no employee of the Group who are substantial shareholders of the Company, or are immediate family members of a Director or substantial shareholder of the Company, and received remuneration in FY2019.

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 acknowledges that it is responsible for the overall internal control framework and fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets as well as manage risks. The Board also recognised that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Following the disposal of the business and operations in China and the full collection of the outstanding disposal consideration, the Company became a cash company. The Company's assets are substantially cash held in an escrow account opened with a local licensed bank acting as escrow agent and current accounts for administrative purposes. Two jointly authorised signatories are required to operate these bank accounts.

In view of the above, no internal audit had been scheduled for FY2019.

The Group's financial risk management is disclosed under Note 19 of the Notes to the financial statements of the Annual Report.

For the financial year under review, the Board had received assurance from:

(i) the Chairman and the Financial Controller that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) the Chairman and the key management personnel that the Group's risk management and internal control systems in place were adequate and effective in the context of the Group's current operation as a cash company.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of the Company on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the detailed financial information whenever necessary for the discharge of its duties to the shareholders.

For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with Rule 705(5) of the Listing Manual of SGX-ST. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

The members of the Audit Committee ("AC") are as follows:

Chew Heng Ching	(Chairman)
Soh Beng Tiong	(Member)
Wang Sen	(Member)

The AC makes up of Non-Executive Directors, a majority of them including the Chairman are independent. The AC meets at least four times a year and as and when warranted by circumstances. The AC is regulated by a set of terms of reference and performs the following primary functions:

1. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance before their submission to the Board;

2. reviewing the audit plans of the Company's external and internal auditors and the results of their examination and their cost effectiveness;

3. reviewing the co-operation given by the Group's officers to the external and internal auditors;

4. reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;

5. reviewing the assurance from the Chief Executive Officer and Chief Financial Officer on the financial records and financial statements;

6. reviewing at least annually the adequacy, independence and effectiveness of the Group's internal audit function;

7. recommending to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors;

8. approving the remuneration and terms of engagement of the external auditors;

9. reviewing the adequacy, scope and results of the external audit, and the independence and objectivity of the external auditors at least annually; and

10. reviewing interested person transactions.

In addition to the above, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director or key executive to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the Chairman of the AC, have relevant accounting or related financial management expertise and experience. No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence to the AC. This arrangement facilitates independent investigation of such matters for appropriate resolution. The AC has express power to commission investigations into any matter, which has or is likely to have material impact on the Group's operating results or financial results.

During FY2019, the AC has undertaken a review of all audit services provided by the external auditors, including the nature and extent of such services. The aggregate amount of fees payable to the external auditors for FY2019 is S$25,000 and no non-audit services were rendered to the Group.

The AC will be briefed by the external auditors on changes to Financial Reporting Standards and issues which have a direct impact on financial statements during the presentation of the audit plan and the audit report to the AC.

The Company has complied with Rules 712 and 715 of the Listing Manual.

SHAREHOLDERS RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meeting

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.

Engagement with Shareholders

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

The Company communicates with shareholders on all material matters affecting the Group by making announcements through SGXNET.

All shareholders of the Company receive the Annual Report and notice of general meetings. At AGMs, shareholders are encouraged to participate and are given the opportunity to air their views and ask questions regarding the Group and its businesses. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions is kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved. In situations where resolutions have to be inter-conditional, the Company will provide clear explanation. All Directors, in particular the Chairman of the Board, the Chief Executive Officer and the Chairmen of the Board Committees, together with the external auditors and legal advisors (if necessary), are present at the AGM to address any queries and concerns raised by shareholders. The Chairman of the Board, the Chairman and all the members of the AC, NC and RC were present at the last AGM.

Apart from AGMs, the Company also regularly conveys pertinent information, gathers views or inputs, and addresses shareholders' concerns. In disclosing information, the Company strives to be as descriptive, detailed and forthcoming as possible.

The shareholders of the Company (other than a shareholder who is a relevant intermediary) may appoint one or two proxies to attend and vote on their behalf at general meetings of the Company. A shareholder who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the general meetings of the Company. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. As recommended by the Code, the Company will put all resolutions to vote by poll at general meetings and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

The Company records minutes of all AGMs and questions and comments from shareholders together with the respective responses are also recorded. Currently, the Company does not have a corporate website to publish the minutes of the general meetings due to financial resources constraint to maintain one but will do so in due course. These minutes are made available to shareholders upon their request. Shareholders can provide their enquiries, concerns or feedbacks by mail or fax to the Company's registered or business address.

The Company currently does not have a formal policy on payment of dividends. Any final dividends paid by the Company shall be approved by an ordinary resolution of the shareholders at a general meeting. The Board may, without the approval of shareholders, also declare an interim dividend. The Company will not be declaring any dividend for FY2019 to preserve cash due to its current financial condition and having considered the Company's current operation as a cash company without business income.

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.

Currently, the Company is a cash company without a business operation. The Company will look into this area in detail and consider strategy and management of stakeholder relationship when it has obtained a business.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in Securities
(Rule 1207(19) of the Listing Manual)

In compliance with the Listing Manual of the SGX-ST, the Company has adopted and implemented a code of conduct governing securities transactions by its Directors and key officers.

Under the code of conduct, the Directors and key officers are prohibited from dealing in the Company's securities at least one month before the announcement of the Company's quarterly, half-year and full-year results until one day after the release of the announcement.

The Directors and key officers are required to notify the Company of any dealings in the Company's securities (during the open window period) and within two business days of the transaction(s). At all times, the Directors and key officers are aware that it is an offence to deal with securities in the Company and those of other companies when they are in possession of unpublished price-sensitive information in relation to those securities and that the law on insider trading applies to them at all times. As such, the Directors and key officers ensure that their dealings in securities, if any, do not contravene the law.

The code of conduct also ensures that no Director or key officer deals in the Company's securities on short term considerations.

Material Contracts

Except as disclosed in the financial statements, there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Directors or controlling shareholders which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Interested Person Transactions

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on the interested person transactions. To ensure compliance with Chapter 9, the AC will meet regularly to review if the Company is entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the AC will review the transaction and recommend to the Board for approval to ensure that the Company complies with the requisite rules under Chapter 9.

There is no interested person transaction entered into during the financial year under review.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position 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 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due on the premise that the initiative to get capital injection into the Group will be successful.

2. Directors

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

Non-Executive director
Wang Sen

Independent non-executive directors
Chew Heng Ching
Soh Beng Tiong

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 4 below.

4. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, the directors of the Company holding office at the end of the financial year had no interests in the share capital or debentures of the Company and its related corporations except as stated below:

Name of directors and company in which interests are held	Direct interest		Deemed interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Sinopipe Holdings Limited				
(No. of ordinary shares)				
Wang Sen	–	–	47,500,000	47,500,000
Chew Heng Ching	300,000	300,000	–	–

The directors' interests as at 21 January 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

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

6. Audit Committee

At the date of this report, the Audit Committee of the Company comprises three Non-Executive directors, as follows:

Chew Heng Ching
Soh Beng Tiong
Wang Sen

The Audit Committee has convened 4 meetings during the financial year with key management. The Audit Committee has also met with the external auditors of the Company without the presence of management in respect of the financial year ended 31 December 2019.

The Audit Committee carried out its duties which included the following:

(i) Review of the audit plan and results of the external audit and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group, if any;

(ii) Review of the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

6. Audit Committee (Continued)

(iii) Review of the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) Review of the quarterly, half-yearly and annual announcements, the results of the Group and the financial position of the Group and of the Company;

(v) Review of the adequacy of the Group's risk management processes;

(vi) Review of the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) Review of interested person transactions in accordance with the listing rules of the Singapore Exchange Securities Trading Limited;

(viii) Nomination of external auditors and approval of their compensation; and

(ix) Submission of report of actions and minutes of the Audit Committee to the Board of Directors with any recommendations as the Audit Committee deems appropriate.

The Audit Committee has full access to and has the co-operation of 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 external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

On behalf of the directors

Wang Sen
Director

Chew Heng Ching
Director

Singapore
13 April 2020

Report on the Audit of Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Sinopipe Holdings Limited (the “Company”) and its subsidiaries (the “Group”) which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on page 21 to 53.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

<u>Use of going concern assumption</u>

As at 31 December 2019, the Group and the Company were in capital deficiency position of RMB5,226,000 and RMB5,151,000, respectively. The Group incurred a net loss of RMB2,161,000 and net operating cash outflow of RMB1,716,000 for the financial year then ended. These conditions indicate material uncertainty which may cast significant doubt on the Group’s and the Company’s ability to continue as going concerns.

Notwithstanding the above conditions, the Group and Company have prepared the financial statements on a going concern basis because of the directors’ outlook on the likelihood of successful negotiation with a white knight investor to inject business and funds into the Company and Group (the “Potential Acquisition”) as disclosed in Note 1.2 to the financial statements.

On 31 March 2020, the Company announced that the negotiation with the white knight investor for the acquisition of their business and assets is ongoing but has been slowed down by the COVID-19 pandemic. The white knight investor had offered to the main creditors of the Company to repay the debts owing to them through the issue of new shares. However, some creditors had refused to accept the repayment offer by way of new shares. The Company is still trying to resolve this problem. As of the date of this report, the directors confirm that the negotiation is still ongoing.

We have not been able to obtain sufficient appropriate audit evidence to support the directors’ outlook in relation to the outcome of the Potential Acquisition. As negotiations are still ongoing and given the sensitivity of the details of the transaction, we have not been able to obtain information necessary for our assessment. In the absence of information provided to us, consequently, we are unable to ascertain the appropriateness of the Group’s and Company’s use of the going concern assumption in their preparation of the financial statements.

If the Group’s and Company’s use of going concern assumption were not appropriate and the financial statements were presented on a realisation basis, the carrying value of liabilities may be materially different from that currently recorded in the statements of financial position. If the outcome of the Potential Acquisition were not favourable, the Group and Company may not be able to continue as going concerns. Should the use of the going concern assumption in the preparation of their financial statements be inappropriate, the Group and Company may be unable to discharge their liabilities in the normal course of business and provision may need to be made for any onerous contractual commitments as at the reporting date. In addition, the Group and Company may need to incur costs of terminating the business.

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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct the audit of the Group's and Company's financial statements in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditors' report. However, because of the matter described in the *Basis of Disclaimer of Opinion* section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

Considering insufficient information available in respect of the appropriateness of the going concern assumption of the Group and the Company, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries 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 auditors' report is Tan Chee Tyan.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
13 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019	2018
		RMB'000	RMB'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Other income	4	2	528
Administrative expenses		(2,163)	(2,214)
Other expenses	5	–	(20)
Loss before income tax from continuing operations	6	(2,161)	(1,706)
Income tax expense	7	–	–
Loss from continuing operations attributable to owners of the Company		(2,161)	(1,706)
Loss for the year from discontinued operations attributable to owners of the Company (net of tax)	8	–	(7,767)
Gain on disposal of subsidiaries	8	–	911,741
(Loss)/Profit for the year representing total comprehensive (loss)/income for the year		(2,161)	902,268
(Loss)/Profit attributable to:			
Continuing operations, net of tax			
- Owners of the Company		(2,161)	(1,706)
Discontinued operations, net of tax			
- Owners of the Company		–	904,474
- Non-controlling interests		–	(500)
		–	903,974
(Loss)/Profit for the financial year		(2,161)	902,268
Loss per share from continuing operations (RMB cents)			
- Basic and diluted	9	(0.75)	(0.59)
Profit per share from discontinued operations (RMB cents)			
- Basic and diluted	8	–	314.50

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000	Company 2019 RMB'000	Company 2018 RMB'000
ASSETS					
Non-current assets					
Plant and equipment	10	3	4	3	4
Investments in subsidiaries	11	–	–	–	–
Total non-current assets		3	4	3	4
Current assets					
Other receivables	12	73	3,171	299	3,171
Cash and bank balances	13	2,942	1,547	2,716	1,547
Total current assets		3,015	4,718	3,015	4,718
Total assets		3,018	4,722	3,018	4,722
EQUITY AND LIABILITIES					
Equity					
Share capital	14	313,344	313,344	313,344	313,344
Other reserves	15	5,316	5,316	5,316	5,316
Accumulated losses		(323,886)	(321,725)	(323,811)	(321,652)
Capital deficiency		(5,226)	(3,065)	(5,151)	(2,992)
Current liabilities					
Other payables	16	8,244	7,787	8,169	7,714
Total current liabilities		8,244	7,787	8,169	7,714
Total liabilities		8,244	7,787	8,169	7,714
Total equity and liabilities		3,018	4,722	3,018	4,722

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to owners of the Group					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	313,344	(12,063)	(1,224,493)	(923,212)	(6,574)	(929,786)
Total comprehensive income for the year	–	–	902,768	902,768	(500)	902,268
Derecognition of subsidiaries (Note 8)	–	17,379	–	17,379	7,074	24,453
Balance at 31 December 2018	313,344	5,316	(321,725)	(3,065)	–	(3,065)
Total comprehensive loss for the year	–	–	(2,161)	(2,161)	–	(2,161)
Balance at 31 December 2019	313,344	5,316	(323,886)	(5,226)	–	(5,226)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019	2018
		RMB'000	RMB'000
Operating activities			
Loss before income tax			
- Continuing operations		(2,161)	(1,706)
- Discontinued operations		–	903,794
		(2,161)	902,088
Adjustments for:			
Amortisation of deferred capital grants		–	(284)
Amortisation of land use rights		–	876
Depreciation of property, plant and equipment		1	3,357
Impairment loss on doubtful receivables, net		–	7
Property, plant and equipment written off		–	19
Interest expense		–	8,525
Interest income		(2)	(6)
Write-back of inventories allowances		–	(5,695)
Gain on disposal of subsidiaries	8	–	(911,741)
Operating cash flows before movements in working capital		(2,162)	(2,854)
Movements in working capital			
Inventories		–	5,728
Trade and other receivables		(11)	(2,099)
Prepayments		–	696
Trade and other payables		457	(1,663)
Net cash used in operating activities		(1,716)	(192)
Investing activities			
Acquisition of property, plant and equipment by disposal group		–	(289)
Receipt of outstanding disposal consideration		3,109	–
Net cash outflow on disposal of subsidiaries		–	(2,895)
Interest received		2	6
Net cash generated from/(used in) investing activities		3,111	(3,178)
Financing activities			
Proceeds from borrowings			
Repayments of borrowings		–	(6,781)
Release of pledged bank balances		–	6,829
Net cash generated from financing activities		–	48
Net increase/(decrease) in cash and cash equivalents		1,395	(3,322)
Cash and cash equivalents at beginning of year	13	1,547	4,869
Cash and cash equivalents at end of year	13	2,942	1,547

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

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

1. General

1.1 Corporate information

Sinopipe Holdings Limited (the "Company") (Registration Number 200411382N) is incorporated and domiciled in Singapore, with its registered office at 80 Raffles Place, #32-01 UOB Plaza 1, Singapore 048624. The principal place of business of the Company is located at 16 Ayer Rajah Crescent, #07-04, Singapore 139965.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 11 to the financial statements.

The financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019 were authorised for issue by the Board of Directors on 13 April 2020.

1.2 Going concern

As at 31 December 2019, the Group and the Company were in capital deficiency position of RMB5,226,000 and RMB5,151,000, respectively. The Group incurred a net loss of RMB2,161,000 and net operating cash outflow of RMB1,716,000 for the financial year then ended. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Notwithstanding these conditions, the directors are of the view that the going concern assumption is appropriate because of their outlook on the likelihood of successful negotiation with a white knight investor to inject business and funds into the Company and Group (the "Potential Acquisition").

On 31 March 2020, the Company announced that the negotiation with the white knight investor for the acquisition of their business and assets is ongoing but has been slowed down by the COVID-19 pandemic. The white knight investor had offered to the main creditors of the Company to repay the debts owing to them through the issue of new shares. However, some creditors had refused to accept the repayment offer by way of new shares. The Company is still trying to resolve this problem. As of the date of authorisation for the issuance of the financial statements of the Group and Company, the directors confirm that the negotiation is still ongoing.

If the Group's and Company's use of going concern assumption were not appropriate and the financial statements were presented on a realisation basis, the carrying value of liabilities may be materially different from that currently recorded in the statements of financial position. If the outcome of the Potential Acquisition were not favourable, the Group and Company may not be able to continue as going concerns. Should the use of the going concern assumption in the preparation of their financial statements be inappropriate, the Group and Company may be unable to discharge their liabilities in the normal course of business and provision may need to be made for any onerous contractual commitments as at the reporting date. In addition, the Group and Company may need to incur costs of terminating the business. No such adjustments have been made to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the statement of financial position of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") including related Interpretations of SFRS(I) ("SFRS(I) INT") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Group and the statement of financial position of the Company are presented in Renminbi ("RMB") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The adoption of these new or revised SFRS(I)s and SFRS(I) INT other than SFRS(I) 16 *Leases* ("SFRS(I) 16") did not result in changes to the Group's and Company's accounting policies. The adoption of these new or revised SFRS(I)s has no material effect on the current or prior year's financial statement and is not expected to have a material effect on future periods.

SFRS(I)s and SFRS(I) INT *issued but not yet effective*

At the date of authorisation of these statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective:

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7	Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
	Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiaries are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the statutory financial statements of the subsidiaries prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiaries are based on the amounts stated in the statutory financial statements.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 January 2017

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the Group determines whether to measure the non-controlling interests in the acquire at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be 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 profit or loss 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 profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2017 (Continued)

The measurement period is the period from the acquisition date to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

2.4 Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, 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.

2.5 Income tax

Income tax expense represents the sum of current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

2. Summary of significant accounting policies (Continued)

2.5 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of 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.

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity through other comprehensive income.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in China Yuan using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

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

2.7 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

- Office and electronic equipment 5 years

2. Summary of significant accounting policies (Continued)

2.7 Plant and equipment (Continued)

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of plant and equipment is recognised in profit or loss.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

2.8 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification at initial recognition depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if 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.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that 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 Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset 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 receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities 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 the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other payables

Other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.10 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a lease*.

The Group as a lessee from 1 January 2019

These accounting policies are applied on and after the initial application date of SFRS(I) 16 (i.e. 1 January 2019).

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

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under SFRS(I) 16. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

2. Summary of significant accounting policies (Continued)

2.10 Leases (Continued)

The Group as a lessee from 1 January 2019 (Continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

The lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments less any lease incentive receivable,

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

– amounts expected to be payable under a residual value guarantee,

– the exercise price under a purchase option that the Group is reasonably certain to exercise, and

– payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

2. Summary of significant accounting policies (Continued)

2.10 Leases (Continued)

The Group as a lessee before 1 January 2019

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.11 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Non-monetary government grant is recognised at nominal amount.

2.12 Non-current assets (or disposal groups) and discontinued operations held for sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the asset (or disposal group) being available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(i) represents a separate major line of business or geographical area of operations;

(ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative profit or loss is re-presented as if the operation had been discontinued from the start of the comparative period.

3. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgement made in applying the Group's accounting policies

Determination of functional currency

The Group translates foreign currency items into the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities, judgement is used by the Group to determine the currency of the primary economic environment in which the respective entities operate. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

3.2 Key sources of estimation uncertainty

The estimates and assumptions 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.

Provision for income taxes

The Group has exposure to income taxes in different jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on its best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current tax and deferred tax positions in the period in which such determination is made. As at 31 December 2019, the carrying amounts of the Group's and the Company's current tax payable were RMB Nil (2018: RMB Nil) and RMB Nil (2018: RMB Nil) respectively.

4. Other income

	Group	
	2019	2018
	RMB'000	RMB'000
Continuing operations:		
Government grants and subsidies	–	1
Interest Income	2	6
Others	–	5
Reversal of provision for withholding tax	–	373
Waiver of loans	–	143
	2	528

5. Other expenses

	Group	
	2019	2018
	RMB'000	RMB'000
Allowance for non-trade doubtful debt	–	7
Plant and equipment written off	–	13
	–	20

6. Loss before income tax from continuing operations

The following charges were included in the determination of loss before income tax:

	Group	
	2019	2018
	RMB'000	RMB'000
Foreign currencies exchange loss – net	335	40
Operating lease expenses	71	69
Audit fees	150	191
Staff costs, including key management personnel remuneration (Note 18)		
- Directors' fees	518	832
- Salaries, wages and bonuses	395	422
- Contributions to defined contribution plans	53	65

7. Income tax expense

The income tax expense varied from the amount of income tax determined by applying the income tax rates applicable to different jurisdictions to loss before income tax as a result of the following differences:

	Group	
	2019	2018
	RMB'000	RMB'000
Loss before income tax	(2,161)	(1,706)
Income tax at statutory rates	(367)	(290)
Add:		
Different tax rates of overseas operations	3	3
Tax effect on non-taxable income	–	(90)
Tax effect on non-deductible expenses	364	374
Deferred tax assets not recognised	–	3
Total income tax expense	–	–

7. Income tax expense (Continued)

Singapore

The corporate income tax rate applicable to the Company is 17% for the year of assessment 2010 onwards.

British Virgin Islands

There is no income tax expense for Best Connect Resources Limited and Eagle Super Associates Limited as the income of these subsidiaries are tax exempted under the provisions of the British Virgin Islands Income Tax Act.

8. Disposal of discontinued operations

During the financial year ended 31 December 2016, due to the difficulty in obtaining financing, the Group's intention was to recover the carrying amount of its' plastic pipe business and operations in China via disposal. Hence, the China operations were classified as disposal group held for sale for the financial year then ended. Subsequently, on 31 March 2017, the Company, together with its wholly-owned subsidiaries, Best Connect Resources Limited, Eagle Super Associates Limited and One Sea Development Ltd have entered into a Sales & Purchase Agreement ("SPA") with Fujian Yatong Construction Material Limited ("Purchaser") for the disposal of the shares and equity interest in the following companies ("disposal group") for a consideration of RMB10,000,000.

1. Fujian Aton Advanced Material Science and Technology Co., Ltd
2. Sinopipe Guizhou Co., Ltd
3. Yunnan Aton High Molecular Materials Technology Co., Ltd
4. Inner Mongolia Aton Plastics
5. Yatong Plastic (Hubei) Co., Ltd
6. Yatong Plastic & Rubbers (Kaifeng) Co., Ltd

On 13 February 2018, the Group announced that the transfer of some shares of the disposal group had encountered certain obstacles due to the current financial status of the subsidiaries of the Company in the PRC. In order to expedite the relevant procedure and to complete the disposal, the Group have entered into a supplementary agreement in respect of the disposal.

Key terms of the supplemental agreement are set out as follows:

1. The Vendors of the Proposed Disposal were changed to the Company, Best Connect Resources Limited and Eagle Super Associates Limited ("New Vendors"). One Sea Development Ltd ("One Sea"), which served as a special purpose vehicle to hold the shares in the relevant PRC subsidiaries of the Company, was no longer one of the Vendors. Instead, the Company would sell 100% of the shares in One Sea to the Purchaser in accordance with the Supplemental Agreement.

2. Accordingly, the Target Companies were changed to Fujian Atontech, Sinopipe Guizhou and One Sea. Yunan Aton was no longer one of the Target Companies. Therefore, upon successful completion of the Proposed Disposal, Fujian Atontech, Sinopipe Guizhou and One Sea would cease to be subsidiaries of the Company, and the companies (namely Mongolia Aton, Yatong Hubei and Yatong Kaifeng) held by One Sea and Fujian Atontech would cease to be subsidiaries or associates of the Company.

3. The amount of Consideration of the disposal remained unchanged.

8. Disposal of discontinued operations (Continued)

On 30 April 2018, the Group announced that the disposal was completed and the Group had received USD790,000 (equivalent to RMB5,000,000) from the Purchaser. On 18 May 2018, the Group further announced that an accumulated total sum of USD1,086,798 (equivalent to RMB6,851,000 representing approximately 68% of the total disposal consideration) has been received from the Purchaser. Subsequent to the disposal, only Best Connect Resources Limited, Eagle Super Associated Limited and Atontech (Hong Kong) Co. Limited remain as subsidiaries.

The results of operations of disposal group are presented separately in the statement of profit or loss and other comprehensive income as "Loss for the year from discontinued operations attributable to owners of the company".

On 31 October 2019, the Group announced that the remaining outstanding consideration of RMB3,149,000 had been fully received from the Purchaser. A foreign exchange loss of RMB40,000 arising from the receipt was recognised in profit or loss.

The details of the gain on disposal of discontinued operations during the financial year ended 31 December 2018 is analysed as follows:

	Group 2018 RMB'000
Total Consideration	10,000
Add:	
Net liabilities disposed (Note 11)	926,336
Non-controlling interest	(7,074)
Waiver of payable	(142)
Other reserves recycled through profit or loss	(17,379)
	901,741
Gain on disposal of subsidiaries	911,741

The results of the disposal group for the financial year ended 31 December 2018 are as follows:

	Group 2018 RMB'000
Revenue	16,789
Expenses	(16,217)
Interest expense	(8,525)
Interest income	6
Pre-tax loss for the financial year	(7,947)
Income tax expense	180
Post-tax loss for the financial year	(7,767)

8. Disposal of discontinued operations (Continued)

Cash flow statement disclosures

	Group 2018 RMB'000
Operating	(1,732)
Investing	(3,184)
Financing	48
Net cash outflows	(4,868)

Loss per share disclosures

	Group 2018 RMB cents
Profit/(Loss) per share from discontinued operation attributable to owners of the Company:	
Basic and diluted	314.50

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

9. Loss per share

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

Loss per share is calculated by dividing the Group's result (net loss attributable to equity holders of the Company) for the financial year by the weighted average number of ordinary shares outstanding during the financial year as follows:

	Group					
	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the financial year	(2,161)	(1,706)	–	904,474	(2,161)	902,768

	2019 '000	2018 '000
Weighted average number of ordinary shares in issue during the financial year	287,595	287,595

9. Loss per share (Continued)

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

There is no dilutive effect from the convertible loan as they are anti-dilutive because their conversion to ordinary shares would decrease loss per share.

10. Plant and equipment

Group and Company	Office and electronic equipment
	RMB'000
Cost	
Balance at 1 January 2018	83
Write-off	(73)
Balance at 31 December 2018 and 31 December 2019	10
Accumulated depreciation and impairment losses	
Balance at 1 January 2018	59
Depreciation	7
Write-off	(60)
Balance at 31 December 2018	6
Depreciation	1
Balance at 31 December 2019	7
Carrying amount	
Balance at 31 December 2019	3
Balance at 31 December 2018	4

11. Investments in subsidiaries

	Company	
	2019	2018
	RMB'000	RMB'000
Unquoted equity shares, at cost	84,578	321,458
Disposal	–	(236,880)
	84,578	84,578
Less: Impairment loss		
Balance at 1 January	(84,578)	(321,458)
Disposal	–	236,880
Balance at 31 December	(84,578)	(84,578)
	–	–

11. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business	Percentage of effective equity interest held by the Group	
			2019	2018
			%	%
Held by the Company				
Best Connect Resources Limited (1)	Investment holding	British Virgin Islands	100	100
Eagle Super Associates Limited (1)	Investment holding	British Virgin Islands	100	100
Atontech (Hong Kong) Co. Limited (2)	Dormant	Hong Kong	100	100

(1) Not required to be audited by the law of its country of incorporation

(2) Exempted to be audited by the law of its country of incorporation

12. Other receivables

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries	–	–	226	6,957
Deposits	8	8	8	8
Prepayment	65	14	65	14
Other receivables	–	3,149	–	3,149
	73	3,171	299	10,128
Allowance for doubtful other receivable	–	–	–	(6,957)
Total other receivables	73	3,171	299	3,171

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

The currency profiles of the Group's and the Company's other receivables as at 31 December are as follows:

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	–	3,149	–	3,149
Singapore dollar	73	22	299	22
	73	3,171	299	3,171

13. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash balances	1	23	1	23
Bank balances	981	1,524	755	1,524
Restricted bank balances	1,960	–	1,960	–
Cash and bank balances	2,942	1,547	2,716	1,547

The bank balances earn interest at floating rates based on daily bank deposit average effective interest rate of 0.15% (2018: 0.15%).

Restricted bank balances amounted to RMB 1,960,000 (2018: RMB Nil) represents cash placed in the escrow account opened with a bank in Singapore acting as escrow agent in compliance with Rule 1018(1)(a) of the SGX-ST Listing Manual.

The currency profiles of the Group's and the Company's cash and cash equivalents as at 31 December are as follows:

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	2,935	185	2,709	185
United States dollar	7	1,362	7	1,362
	2,942	1,547	2,716	1,547

14. Share capital

	Group and Company			
	2019	2018	2019	2018
	Number ('000) of ordinary shares with no par value		RMB'000	RMB'000
Issued and paid up				
At beginning and end of year	287,595	287,595	313,344	313,344

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

15. Other reserves

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
General reserve	5,316	5,316	5,316	5,316

15. Other reserves (Continued)

General reserve

This represents the residual amount of convertible loans after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from the convertible loans. The balance was transferred to the general reserve on 30 January 2015 when the convertible loan was fully repaid.

16. Other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued expenses	5,398	5,014	5,296	4,915
Other payables	2,846	2,773	2,847	2,773
Amounts due to subsidiaries (non-trade)	–	–	26	26
	8,244	7,787	8,169	7,714

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

The currency profiles of the Group's and the Company's other payables as at 31 December are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Singapore dollar	8,143	7,688	8,143	7,688
Hong Kong dollar	101	99	26	26
	8,244	7,787	8,169	7,714

17. The Group as lessee

<u>Recognition exemptions under SFRS(I) 16: C10(c)</u>

The office premise is with a lease term of 12 months. For such lease, the Group has elected not to recognise right-of-use assets and lease liabilities as the lease term ends within 12 months as of 1 January 2019.

During the financial year, the operating lease expense recognised in profit or loss amounting to RMB 71,000 (2018: RMB 69,000).

17. The Group as lessee (Continued)

Operating lease commitments – Comparative information under SFRS(I) 1-17

At the end of financial year ended 31 December 2018, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group and Company 2018
	RMB'000
Future minimum lease payments payable within one year	61

18. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

18. Significant related party transactions (Continued)

The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, in other than those disclosed elsewhere in these financial statements, there were no significant transactions with related parties.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel remuneration

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
Directors' fees	518	832
Key management personnel (other than directors)		
- Salaries, bonuses and other short-term benefits	395	422
- Contributions to defined contribution plans	53	65
	966	1,319

19. Financial risks management policies and objectives

The Group's activities expose it to credit risk, market risk (comprising foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets 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. Management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis indicated below.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs on-going credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

19. Financial risks management policies and objectives (Continued)

Credit risk (Continued)

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. No allowance for collective impairment was made based on past experience.

Other receivables (Note 12)

As of 31 December 2019, the Group recorded other receivables (excluding prepayment) of RMB8,000 (2018: RMB3,157,000). The Company assessed the impairment loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. The Company assessed that the other receivables are made to parties with good credit reputation and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including foreign currency forward contracts to hedge against foreign currency risk and interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risk

The Group transacts business in various foreign currencies, including Singapore dollar and United States dollar, other than the respective functional currencies of the Group, and hence is exposed to foreign currency risk. There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The risk is at times managed by forecasting currency exposures through natural hedges arising from a matching sale, purchase or a matching of assets and liabilities of the same currency and amount.

19. Financial risks management policies and objectives (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Monetary assets				
Singapore dollar	2,943	193	2,943	193
United States dollar	7	1,362	7	1,362
	2,950	1,555	2,950	1,555
Monetary liabilities				
Singapore dollar	8,143	7,688	8,143	7,688
Hong Kong dollar	101	99	26	26
	8,244	7,787	8,169	7,714

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2018: 10%) in Singapore dollar ("SGD") against Renminbi ("RMB"). The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	Group	
	2019	**2018**
	RMB'000	**RMB'000**
SGD		
Strengthens against RMB	(520)	(750)
Weakens against RMB	520	750

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortages of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and borrowings.

19. Financial risks management policies and objectives (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or pay. The table includes both interest and principal cash flows.

	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Group			
2019			
Financial assets			
Other receivables (exclude prepayment)	8	–	8
Cash and cash equivalents	2,942	–	2,942
	2,950	–	2,950
Financial liabilities			
Other payables	8,244	–	8,244
Total net financial liabilities	(5,294)	–	(5,294)
2018			
Financial assets			
Other receivables (exclude prepayment)	3,157	–	3,157
Cash and cash equivalents	1,547	–	1,547
	4,704	–	4,704
Financial liabilities			
Other payables	7,787	–	7,787
Total net financial liabilities	(3,083)	–	(3,083)

	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Company			
2019			
Financial assets			
Other receivables (exclude prepayment)	234	–	234
Cash and bank balances	2,716	–	2,716
	2,950	–	2,950
Financial liabilities			
Other payables	8,169	–	8,169
Total net financial liabilities	(5,219)	–	(5,219)

19. Financial risks management policies and objectives (Continued)

Liquidity risk (Continued)

	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Company (Continued)			
2018			
Financial assets			
Other receivables (exclude prepayment)	3,157	–	3,157
Cash and bank balances	1,547	–	1,547
	4,704	–	4,704
Financial liabilities			
Other payables	7,714	–	7,714
Total net financial liabilities	(3,010)	–	(3,010)

The Group's operations are financed mainly through borrowings. The Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance its operations and mitigate the effect of fluctuations in cash flows. In addition, adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

20. Fair value of financial assets and financial liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair values of applicable assets and liabilities, are determined and categorised using a fair value hierarchy as follows:

(a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

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

20. Fair value of financial assets and financial liabilities (Continued)

Determination of fair value

The fair value of the unquoted equity securities is determined by direct reference to their bid price quotations in an active market at the end of the financial year.

Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

Management has determined that the carrying amounts of trade and other receivables, cash and bank balances, and trade and other payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

Management considers that the carrying amounts of the non-current portion of the term loan from a third party at amortised cost approximate its fair values.

21. Capital management policies and objectives

The Group's Financial Controller ("FC") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures and reports to the Group's Audit Committee.

It is the Group's policy that where assessed necessary by the local management, the Group would engage experts to perform significant financial reporting valuations. The FC is responsible for selecting and engaging such external experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance.

He also reviews at least on an annual basis, the appropriateness of the valuation methodologies and assumptions adopted and evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

The analysis and results of the internal valuations are then reported to the Audit Committee for the latter's comments before presenting the results to the Board of Directors for approval.

During the financial year, there is no change in the applicable valuation techniques.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the financial year.

Management monitors the return on capital, which the Group defines as net profit attributable to owners of the Company divided by equity attributable to owners of the Company. The Group funds its operations and growth through a mix of equity and debts. This includes maintaining adequate lines of credit and assessing the need of raise additional equity where necessary. Gearing ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as borrowings plus trade and other payables less unpledged cash and bank balances. Total capital is calculated as equity attributable to owners of the Company less the above-mentioned restricted reserves.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

STATISTICS OF SHAREHOLDINGS

As at 27 March 2020

Issued and fully paid-up capital	:	S$62,452,854.60
Number of shares	:	287,594,900
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Number of treasury share held	:	Nil
Number of subsidiary holdings held	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.11	93	0.00
100 - 1,000	28	3.20	27,224	0.01
1,001 - 10,000	278	31.77	1,990,000	0.69
10,001 - 1,000,000	541	61.83	45,288,000	15.75
1,000,001 AND ABOVE	27	3.09	240,289,583	83.55
TOTAL	**875**	**100.00**	**287,594,900**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FAITH START HOLDINGS LIMITED	47,500,000	16.52
2	CITIBANK NOMINEES SINGAPORE PTE LTD	45,987,895	15.99
3	KUSNADI LYBIANTO	29,401,660	10.22
4	RHB SECURITIES SINGAPORE PTE. LTD.	18,924,000	6.58
5	RAFFLES NOMINEES (PTE.) LIMITED	18,109,340	6.30
6	CROWN GALAXY HOLDINGS LIMITED	15,000,000	5.22
7	DBS NOMINEES (PRIVATE) LIMITED	14,886,157	5.18
8	OCBC SECURITIES PRIVATE LIMITED	11,409,000	3.97
9	REBECCA THE	5,477,000	1.90
10	TTH CAPITAL PTE LTD	3,000,000	1.04
11	HSBC (SINGAPORE) NOMINEES PTE LTD	2,978,001	1.04
12	SINGAPORE ENTERPRISES PTE LTD	2,595,000	0.90
13	CHOO CHEE KIONG	2,500,000	0.87
14	CHOY PENG HA	2,460,000	0.86
15	WONG FOO HONG	2,205,000	0.77
16	BOON SUAN AIK	2,192,000	0.76
17	KOH PANG KIN	1,987,000	0.69
18	YIM WING CHEONG	1,790,000	0.62
19	TOMORROW PTE LTD	1,700,000	0.59
20	QUEK CHIN SOON	1,665,000	0.58
	TOTAL	**231,767,053**	**80.60**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
FAITH START HOLDINGS LIMITED	47,500,000	16.52	–	–
WANG SEN (1)	–	–	47,500,000	16.52
KUSNADI LYBIANTO (6)	29,401,660	10.22	–	–
LOYAL TEAM GROUP LIMITED (2)	–	–	40,079,895	13.94
CHEN ZHIZHONG (3)	–	–	40,079,895	13.94
CHEN QUE (3)	–	–	40,079,895	13.94
TRIUMPUS CAPITAL LTD	22,969,000	7.99	–	–
PU WEI DONG (4)	–	–	23,029,000	8.01
CROWN GALAXY HOLDLINGS LIMITED	15,000,000	5.22	–	–
JIANG PING (5)	–	–	15,000,000	5.22

Notes:

(1) Mr Wang Sen is deemed to be interested in the 47,500,000 shares held by Faith Start Holdings Limited by virtue of section 7(4A) of the Companies Act, Cap. 50 (the "Act").

(2) Loyal Team Group Limited is deemed to be interested in the 40,079,895 shares held in trust by Citicorp Investment Bank (Singapore) Ltd. Information on interests in shares of the Company reflected herein is based on the latest notification form for substantial shareholders in respect of interests in securities dated 17 August 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Loyal Team Group Limited of any change in interest further to 17 August 2011.

(3) Mr Chen Zhizhong and Mr Chen Que are deemed to be interested in the 40,079,895 shares held in trust by Citicorp Investment Bank (Singapore) Ltd for Loyal Team Group Limited by virture of their respective shareholdings in Loyal Team Group Limited. Information on interests in shares of the Company reflected herein is based on the latest notification form for substantial shareholders in respect of interests in securities dated 17 August 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Mr Chen Que of any change in interest further to 17 August 2011.

(4) Mr Pu Wei Dong is deemed to be interested in the 22,969,000 shares held by Triumpus Capital Ltd by virtue of section 7(4A) of the Act. Mr Pu Wei Dong is also deemed to be interested in the 60,000 shares held by his wife, Ms Zhu Jin Yan, by virtue of section 164(15)(a) of the Act.

(5) Mr Jiang Ping is deemed to be interested in the 15,000,000 shares held by Crown Galaxy Holdings Limited by virtue of section 7(4A) of the Act.

(6) Information on interest in shares of the Company reflected therein is based on the latest notification form for substantial shareholders in respect of interest in securities dated 30 September 2011 received by the Company; and the known dilutive effect of the conversion of the convertible loan into shares of 32,500,000 issued and paid up shares in the Company, which were allotted and issued on 26 July 2012. The Company has not received any further notification from Mr Kusnadi Lybianto of any change in interest further to 30 September 2011.

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF PUBLIC

Based on information available to the Company as at 27 March 2020, approximately 46.00% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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