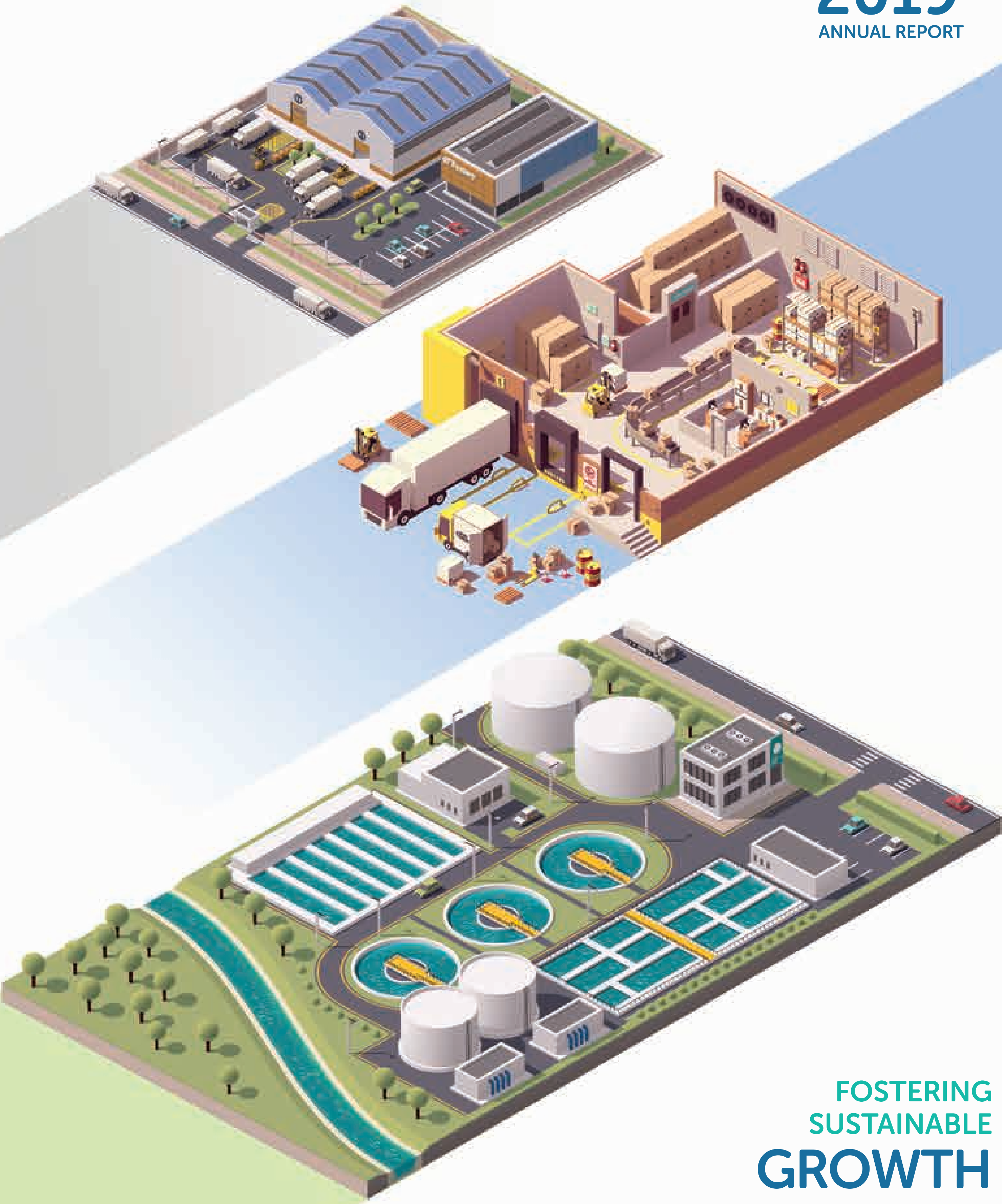
ANNAIK LIMITED

2019
ANNUAL REPORT



FOSTERING SUSTAINABLE GROWTH

MANUFACTURING | DISTRIBUTION | ENVIRONMENTAL SERVICES

Distribution

- Warehouse holds over 10,000 stainless steel pipes, flanges, buttwelded fittings, low/high pressure fittings, valves, stub ends, and flat products
- Awarded: ISO 9001:2015 standards for quality management operation as stainless steel producer and stockist
- Over 650 customers across the region

Established since 1977 with

43 years solid track records

Manufacturing

- Shinsei steel flanges
- Awarded ISO 9001:2015, TUV, CRN, and ClassNK certification and approved for international product standard compliance
- Serve a wide base of customers

Manufacturing Operations are Certified & Awarded with

ISO 9001:2015

TUV, CRN and ClassNK

Environmental and Engineering Services

- Construct and operate industrial wastewater treatment plants in PRC
- Consulting service in water resource management, including governmental and commercial operators in Singapore
- Construct and supply rural wastewater treatment equipment in the PRC

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

>5000

systems sold + First maiden PPP Project in Guangdong, China

8

wastewater treatment plants

Contents

Vision

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

About AnnAik

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

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

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

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

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

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Hong Leong Finance Limited (the "**Sponsor**"). The Annual Report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Annual Report including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone: +65 6415-9886.

Chairman's Message

Despite the challenging macroeconomic environment, AnnAik was able to continually build on our transformation strategy to achieve S$2.15 million profit attributable to owners of the Company for the financial year ended 31 December 2019.

$52.30m
Group Revenue in 2019

$2.15m
Profit in 2019

Dear Shareholders,

2019 started with a good momentum. However, as the year progressed, downside risks increased and disrupted early signs of stabilisation in the global economy. With China's investment growth already expected to slow down following earlier financial reforms to curb shadow lending, the declaration of a phase one trade deal between the U.S. and China received guarded response, as trade tensions remain a source of risk with existing tariffs still in place. Similarly in India, economic momentum was subdued by an ongoing credit squeeze. Elsewhere, developments in the Middle East between the U.S. and Iran had also weakened global business confidence.

The COVID-19 (Coronavirus Disease 2019) outbreak emerged unexpectedly and has affected China, Singapore and many countries around the world. Depending on how the pandemic situation evolves and as the rest of the world progressively tighten their border controls, the impact to global supply chains and business confidence could deepen.

Delivering Performance in a Dynamic Year

Despite the challenging macroeconomic environment, AnnAik was able to continually build on our transformation strategy to achieve S$2.15 million profit attributable to owners of the Company for the financial year ended 31 December 2019.

A few notable developments during the year had contributed to the improvement in the Group's operating results. Amongst which, the successful completion of a strategic step-up acquisition of 20% shareholding in ShuangLin (Huzhou) Wastewater Treatment Co., Ltd., the divestment in LinXing Water Supply Co., Ltd. and improved operating results in the environmental business division.

The environmental division successfully completed expansion projects for ChangXing Angwei Environmental & Ecological Engineering Co., Ltd. and ChangXing Linyi Wastewater Treatment Co., Ltd. whilst continually improving utilisation rates and generating healthy

recurrent income. The fulfilment of environmental projects secured earlier under the EPC model for hazardous wastewater business also contributed positively to results of the environmental division and the overall performance of the Group in 2019. It is heartening to note that the environmental division has proven to be growing and is expected to maintain its momentum.

The Group also emerged in a stronger financial position following the successful Rights-cum-Warrants issue. We have also kept to our strategy to be asset-light and have started the process to dispose our property and plant from Shinsei Industry Sdn. Bhd. in Malaysia to adopt a more sustainable business approach in the Group's manufacturing division, and are committed to maintain the manufacturing business in Malaysia and promote its house brand "SHINSEI" of forged steel flanges in the South East Asia region.

Realising Growth
We have diversified our focus beyond the oil and gas and marine industries to healthcare and high technology infrastructural projects. Equally important, we have also accelerated the search and qualification of new suppliers to build stronger resilience in our supply chains before the onset of the COVID-19 crisis. However, given the uncertain operating environment, the distribution division registered weaker growth. In line with the slower economic growth and compounded by trade barriers and duties imposed in its principal trading markets such as India, Korea and Middle Eastern countries, the Group's revenue weakened in 2019 with fewer potentially profitable business opportunities in these markets. The Group's revenue of S$52.30 million for the whole of 2019 was 7.87% lower than S$56.77 million in 2018.

Looking Ahead
2020 will be an unprecedented year weighed down with twin crises, the COVID-19 pandemic and most recently, the collapse in global oil prices. As the COVID-19 situation is still evolving, there is a great degree of uncertainty over the length of the outbreak and how long countries enforce border and movement controls in response to the pandemic. Under such circumstances, the impact on global logistics will likely take some time to correct from the strained supply chains. Nonetheless, the Group is in a strong position to weather these disruptions and have allocated more resources and step-up marketing efforts to garner higher revenue in the manufacturing and distribution divisions.

Chairman's Message

The environmental division has proven itself as a growth engine for the Group. China remains a huge market with a latent demand for clean water which have not been met adequately amidst its long-term sustainable development journey. We understand where the opportunities are as well as where the risks lie, and are able to target priority segments with long-term growth in different parts of China. Meanwhile, we will continue to seed the conditions for growth in Southeast Asia. ASEAN, remains a huge market in its own right and there has been growing momentum and critical emphasis by Southeast Asian governments to pursue clean water initiatives.

Dividend

The Board of Directors is pleased to propose a first and final one-tier tax-exempt dividend of 0.3 cents per share for the year ended 31 December 2019. The dividend will be paid out to shareholders upon approval at the annual general meeting.

In Appreciation

AnnAik had a dynamic year in 2019. We managed to deliver results despite challenging macroeconomic circumstances. This is an achievement that belonged to not only AnnAik, but also to our shareholders, customers and business partners. Their continued support, trust and confidence in us have strengthened our resolve to work harder and do better. Of course, we also recognise that these results would have been impossible without the invaluable contributions from our Board, management and staff. We remain committed to realising our strategic objectives and achieving our profitability goals.

James Ow Chin Seng
Executive Chairman cum CEO

Group Structure

As at 31 December 2019

MANUFACTURING BUSINESS

- 92% **Shinsei Holdings Pte Ltd**
  - 100% Shinsei Industry Sdn Bhd

DISTRIBUTION BUSINESS

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

ENVIRONMENTAL & ENGINEERING BUSINESS

- 100% **Anxon Environmental Pte Ltd**
  - 60% **AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd** 上海昂为环境生态工程有限公司
    - 100% ChangXing LiJiaXiang New Era Wastewater Treatment Co., Ltd 长兴李家巷新世纪污水处理有限公司
    - 100% ChangXing HengYi Wastewater Treatment Co., Ltd 长兴恒益水质净化有限公司
    - 100% ChangXing Annyi Wastewater Treatment Co., Ltd 长兴安益水质净化有限公司
  - 60% ChangXing AngWei Environmental & Ecological Engineering Co., Ltd 长兴昂为环境生态工程有限公司
  - 62% Shuanglin (Huzhou) Wastewater Treatment Co., Ltd 湖州双林水质净化有限公司
- 100% **Anxon Eco Holdings Pte Ltd**
  - 88% ChangXing LinSheng Wastewater Treatment Co., Ltd 长兴林盛水质净化有限公司
    - 100% ChangXing WuSheng Wastewater Treatment Co., Ltd 长兴吴盛水质净化有限公司
    - 85% LinXing Water Supply Co., Ltd 长兴县林城镇林兴自来水有限公司
    - 80% ChangXin LinYi Wastewater Treatment Co., Ltd 长兴林益中水回用有限责任公司
- 51% Pioneer Environmental Technology Pte Ltd
  - 80% Suzhou Pioneer Environmental Technology Pte Ltd 苏州派宁环保科技有限公司
    - 30% Wuhan Pioneer Environmental Technology Co., Ltd 武汉派宁环保技术有限公司
- 100% **AnnAik & Partners (S) Pte Ltd**
  - 100% **AnnAik Pipes & Fittings (Shanghai) Co., Ltd**
    - 55% ZheJiang ShengTai Environmental Technology Co., Ltd 浙江盛泰环保科技有限公司
- 55% **Anxon Engineering Pte Ltd**
- 100% **Anxon Envirotech Pte Ltd**
  - 25% Shanghai Onway Environmental Development Co., Ltd 上海昂未环保发展有限公司
    - 100% ZheJiang Xinyu Environmental Technology Pte Ltd 浙江新禹环境科技有限公司
- 100% **Anxon Oasis Pte Ltd** (f.k.a. Wesco Steel Pte Ltd)

Rural Wastewater Treatment Business

Industrial & Municipal Wastewater Treatment Business

Hazardous Wastewater Treatment Business

Board of Directors

Mr Ow Chin Seng, PBM
Executive Chairman cum CEO

Date of appointment: 31 March 1990
Date of last re-election: 30 April 2019

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

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

Mr Ow Eei Meng Benjamin
Executive Director cum
Deputy Chief Executive Officer

Date of appointment: 1 March 2015
Date of last re-election: 30 April 2018

Mr Benjamin Ow worked in the Company's IT department from 2007 to 2008 before going on to pursue further studies. Rejoining the Company in February 2013 as Assistant to Executive Chairman cum CEO and Supply Chain Manager of Distribution Business in Singapore, Mr Ow was subsequently appointed as an Executive Director in March 2015 and as Deputy Chief Executive Officer in July 2018. His current roles are to assist the Chief Executive Officer in managing the strategic direction of the Company and oversee operations. Mr Ow holds a Master of Commerce from Macquarie University, Australia and Degree in Computing from the National University of Singapore.

Mr Ng Kim Keang
Executive Director cum
Chief Operating Officer

Date of appointment: 3 January 2005
Date of last re-election: 30 April 2018

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

Ms Tan Poh Hong
Independent Director

Date of appointment: 26 July 2018
Date of last re-election: 30 April 2019

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

Prior to her appointment at AVA, Ms Tan was the Deputy CEO of the Housing and Development Board (HDB) from 2004 to 2009 where she managed 4,700 officers in the Estates and Corporate Groups. She also held various staff and operation headship positions throughout the HDB, including oversight of corporate governance, organisational development and transformation, human resource management, public communications, and community engagement. She has extensive experience in policy development as well the Singapore Red Cross and Vice-Chairman of the Industrial & Services Cooperative Society Ltd (ISCOS). She holds a BSc (Hons) in Estate Management from the National University of Singapore (1981), and a Master of Business Administration (with Distinction) from New York University (1988). She was awarded the Public Administration Medal (Gold) in 2013, and the Public Service Medal in 1999 by the Singapore Government.

Present directorship in listed companies: Sheng Siong Group Ltd, Centurion Corporation Limited and Vicom Ltd.

Past directorships held over preceding three years in listed companies: Nil

Mr Gan Thiam Poh
Independent Director

Date of appointment: 30 September 2019
Date of last re-election: NIL

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

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

He has been the Member of Parliament since 2011 and is currently the Member of Parliament for Ang Mo Kio Group Representation Constituency from 2015 to present and the Deputy Chair of Government Parliamentary Committee; Environment and Water Resources (including Climate Change). He was also the member of Singapore Parliament Select committee (Public Accounts). He was the Audit Committee Chairman and Independent Director of Mainboard Listed Ouhua Energy Holdings Limited. Mr Gan holds a Bachelor of Science (Economics and Mathematics) degree from the National University of Singapore.

Present directorship in listed companies: Nil

Past directorships held over preceding three years in listed companies: Nil

Mr John Lim Geok Peng
Independent Director

Date of appointment: 11 July 2017
Date of last re-election: 30 April 2018

Mr John Lim Geok Peng is Audit and Assurance Partner as well as HR and Training Partner at PKF-CAP LLP. He graduated with Bachelor of Accountancy from National University of Singapore and is a practicing member of the Institute of Singapore Chartered Accountant as well as CPA (Australia).

Mr Lim serves as a member of ACRA's Complaints and Disciplinary Committee. He is also appointed as a lay person on the Inquiry Panel of the Legal Profession Act. Previously, Mr Lim was a member of the Public Accounting Practice Committee of the Institute of Singapore Chartered Accountant. He was also previously the Deputy Director and Head of the Practice Monitoring Division of ISCA, Co-Managing Director of a public accounting firm and CFO of a large non-profit organization.

Present directorship in listed companies: Nil

Past directorships held over preceding three years in listed companies: Nil

Operations Review

Operations Review

2019 turned out to be a challenging year. Amidst the turmoil in the global environment, the Group remain sure-footed and emerged unscathed with S$2.15 million delivered as profit attributable to owners of the Company, as compared to S$0.83 million recorded in prior year. The improvement in results was mainly due to a gain on a bargain purchase, recognised as income of S$1.72 million following a fair value exercise, for the strategic step-up acquisition of 20% shareholding in ShuangLin (Huzhou) Wastewater Treatment Co., Ltd., coupled with improved operating results in the environmental business division.

With the successful completion of Rights-cum-Warrants issue in October 2019, the Group maintained a healthy and positive working capital of S$19.09 million or current ratio of 1.64 times with current assets of S$48.78 and current liabilities of S$29.69 million as at 31 December 2019.

Steel Products Distribution Division

The steel products distribution division generated a lower turnover in the year as there were lesser number of project sales secured beyond the traditional sectors, while traditional sectors such as Oil and Gas as well as Marine, continued to remain lacklustre. Fluctuations in nickel prices during the year also presented operational dilemmas to pricing strategies.

For the steel trading business, the year was marked by stiffer global trading policies and regulations, and with it, fewer potentially profitable business opportunities and higher transaction risks in its principal markets such as India, Korea and the Middle Eastern countries.

These factors as a whole resulted in a decrease in sales revenue from the steel products distribution division amounting to S$16.95 million, as compared to FY2018.

Steel Flanges Manufacturing Division

Meanwhile, the Group continued to reap the benefits from an earlier cost-cutting exercise to maintain operating profit of Shinsei Industry Sdn. Bhd. Besides maintaining a prudent and healthy stock level, we have also intensified our search and qualification of new raw material suppliers to build stronger resilience in our supply chains and optimise our production costs in the manufacturing division. We are following through with the Group's strategy to adopt an asset light business model and have started the process to dispose our property and plant in Malaysia, which is expected to continue to improve the division's cash flow, costing and balance sheet.

Operations Review

Environmental Division

Whereas for the environmental division, 2019 continued to be another stable year and recorded improved gross profit for both the industrial wastewater treatment and hazardous wastewater treatment business. Sales revenue improved, amounting to S$11.05 million, boosted by better treatment utilisation rate, economies of scale and higher EPC projects delivered in China and Singapore. The other notable performance in the year were the completion of expansion projects for ChangXing Angwei Environmental & Ecological Engineering Co., Ltd. and ChangXing Linyi Wastewater Treatment Co., Ltd., which will increase our treatment capacity and sustain the development in the environmental division moving forward.

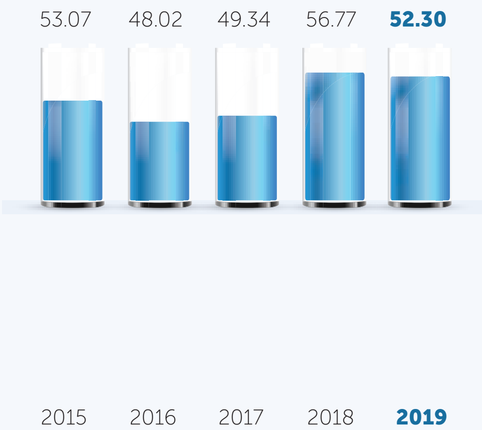
Maintaining Momentum

The Group fared reasonably in 2019. However, many of the uncertainties such as the ongoing COVID-19 situation will rollover to the new financial year. A breakdown in subsequent U.S. and China trade talks continues to be a risk, particularly as negotiations broaden to include more complex topics.

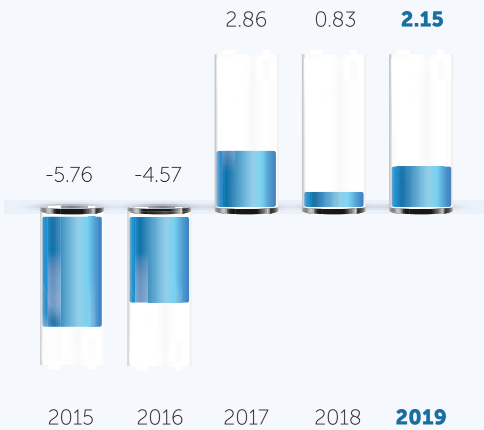
At the same time, we remain optimistic about our environmental division as we expect growth momentum to be maintained. The Group will actively look out for opportunities to broaden our reach from the traditional market, China to neighbouring countries in South East Asia and will further strengthen our position in the water treatment sectors through strategic investment in mutually beneficial partnerships. For our steel flanges manufacturing division and steel products distribution division, we expect the operating environment to remain challenging in 2020. To maintain the momentum, we are devoting resources to prepare, stockpile inventory and will continue to seek out new partners in existing markets and deepen our engagement with customers.

Financial Highlights

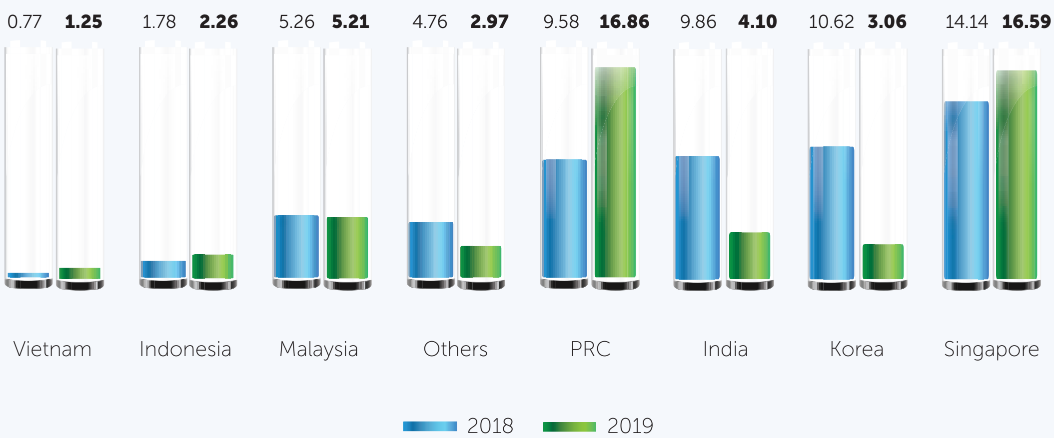
Turnover
(S$ Million)



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



Turnover by Geographical Area
(S$ Million)



Corporate Directory

Board of Directors

Mr Ow Chin Seng, PBM
Executive Chairman cum CEO

Mr Ow Eei Meng Benjamin
Executive Director cum Deputy CEO

Mr Ng Kim Keang
Executive Director cum COO

Mr Lim Geok Peng
Ms Tan Poh Hong
Mr Gan Thiam Poh
Independent Directors

Corporate Information

Audit Committee

Mr Lim Geok Peng
Chairman

Mr Gan Thiam Poh
Ms Tan Poh Hong

Nominating Committee

Mr Gan Thiam Poh
Chairman
Mr Lim Geok Peng
Ms Tan Poh Hong
Mr Ow Chin Seng, PBM

Remuneration Committee

Ms Tan Poh Hong
Chairman
Mr Gan Thiam Poh
Mr Lim Geok Peng

Management Team

Distribution Division

Mdm Low Kheng
Director of a subsidiary
– Singapore

Mr Ow Eei Phurn Benedict
Sales Director of a subsidiary
– Singapore

Mr Tay Chee Seng
Financial Controller
– Singapore

Mr Terence Sim Soo Yong
General Manager of a subsidiary
– Singapore

Mr Peh Choon Chieh
Commercial Manager of a subsidiary
– Singapore

Manufacturing Division

Mr Lim Khan Choon
Deputy General Manager
– Penang, Malaysia

Environmental Technology & Engineering Division

Dr Qiu Jiangping
Group President
– Environmental Business
– China

Dr Yang Guo Ying
Technical Director of a subsidiary
– Singapore

Dr Wang Jin
General Manager
– Environmental Business
– China

Company Secretary

Ms Siau Kuei Lian

Registered Office

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Singapore 639193
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Fax: 65 6861 5705, 6861 6919
Email: sales@annaik.com

Share Registrar

RHT Corporate Advisory Pte Ltd
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712
Tel: 65 6812 1611
Fax: 65 6812 1601

Principal Bankers

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Ltd
12 Marina Boulevard #43-03
Marina Bay Financial Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
#06-00, OCBC Centre East
Singapore 049514

Sponsor

Hong Leong Finance Limited
Mr Tang Yeng Yuen
Vice President
Head of Corporate Finance
16 Raffles Quay, #01-05
Hong Leong Building
Singapore 048581

Auditors

Ernst & Young LLP
Certified Public Accountants
(Partner: Andrew Tan Chwee Peng)
Date of appointment:
Effective from finanical year
ended 31 December 2015
Number of years in-charge: 5 years
One Raffles Quay
North Tower, Level 18
Singapore 048583

Corporate Governance Report

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

This report outline the corporate governance framework and practices of the Company with specific reference made to the principles and guidelines of the Singapore Code of Corporate Governance 2018 (the "**Code**"), which was revised on 6 August 2018 and the accompanying Practice Guidance, which supersedes the existing Code of Corporate Governance issued in 2012, and other applicable laws, rules and regulations, including the Catalist Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The Board confirms that for the financial year ended 31 December 2019 ("**FY2019**"), the Company has adhered to the principles and guidelines as outlined in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

BOARD MATTERS

The Board's Conduct of Affairs

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

The Company is headed by an effective Board which comprises 6 Directors of whom the Chairman is a Non-Independent and Executive Director, 2 are Executive Directors and 3 are Independent Directors. Together, the Directors command a wide range of business, legal and financial experience that collectively contribute to the success of the Group. The Board oversees the business activities, overall management, formulate strategic direction and performance of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders and stakeholders.

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

(a) review and approve corporate strategies, financial objectives and directions of the Group;
(b) establish goals for management and monitoring the achievement of these goals;
(c) ensure management leadership of high quality, effectiveness and integrity;
(d) approve annual budgets, major funding proposals and investment proposals;
(e) review internal controls, risk management, financial performance and reporting compliance; and
(f) assume responsibility for corporate governance.

The Board makes decisions in material matters such as major funding proposals, acquisitions and divestments, disposal of major assets, corporate or financial restructuring, share issuances, dividends, annual budgets and financial plans of the Group, half yearly and annual financial reports, internal controls and risk management strategies and execution and other matters which require Board approval as specified under the Company's internal policy.

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

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

Corporate Governance Report

Board Processes

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

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

During FY2019, the Board held a total of 4 meetings to review the Group's business operations and financial performance. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction.

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

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

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

The Company Secretary or her representatives attend all Board and Board Committee meetings, and assists the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. She also ensures that the requirements of the Singapore Companies Act and all other rules and regulations of the SGX-ST are complied with.

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

Corporate Governance Report

The number of meetings and the participation of each individual Directors at every Board and Board committee meeting for FY2019 are disclosed in the table reflected below:–

Directors' attendance at Board and various Board Committees meetings:–

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Ow Chin Seng	4	3	2	2*	1	1	1	–
Mr Ow Eei Meng, Benjamin	4	4	2	2*	1	–	1	–
Mr Ng Kim Keang	4	3	2	2*	1	–	1	–
Mr Lee Bon Leong[1]	4	1	2	1	1	1	1	1
Mr Lim Geok Peng	4	4	2	2	1	1	1	1
Ms Tan Poh Hong	4	4	2	2	1	1	1	1
Mr Gan Thiam Poh[2]	4	1	2	1	1	–	1	–

Notes:–

* Attendance by invitation

(1) Retired as Independent Director with effect from 30 April 2019.

(2) Appointed as Independent Director with effect from 30 September 2019.

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

Director Orientation and Training

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

The Company will conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. Further, newly appointed Directors will be provided with a formal letter setting out their duties and obligations and appropriate training to ensure that they are fully aware of their responsibilities and obligations of being a Director.

The aim of the orientation program is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. The new Director is also informed about matters such as the Code of Dealing in the Company's securities. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such regulatory changes, the Company provides opportunities for ongoing training on Board processes and best practices as well as updates on changes in legislation and financial reporting standard, regulations and guidelines from SGX-ST that affect the Company and/or the Directors in discharging their duties effectively. During the year, Mr Gan Thiam Poh was appointed as an Independent Director. He was provided with explanations and briefing during the orientation program on the overview of the business operations, background information about the Group's history, strategic direction and industry-specific knowledge for better understanding of the Group's business and operations.

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

Corporate Governance Report

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

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

Board Composition and Guidance

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

As at the date of this report, the Board comprises of six (6) Directors, which three (3) of whom are independent. The Directors of the Company as at the date of this statement are:

Executive Directors	
Mr Ow Chin Seng, PBM	Executive Chairman cum Chief Executive Officer
Mr Ow Eei Meng, Benjamin	Executive Director cum Deputy Chief Executive Officer
Mr Ng Kim Keang	Executive Director cum Chief Operating Officer
Independent Directors	
Mr Lim Geok Peng	Independent Director
Ms Tan Poh Hong	Independent Director
Mr Gan Thiam Poh[1]	Independent Director

Note:–

[1] Appointed as Independent Director with effect from 30 September 2019.

The Company maintains a strong and independent element on the Board with the Independent Directors constituting half of the Board. The Independent directors have confirmed that they do not have any relationship with other Directors, the Company, its related corporation, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from the Management and its substantial shareholders.

As the Chairman is not an Independent Director, half of the Board is made up of Independent Directors. The Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affair, even if the Independent Directors and Non-Executive Directors do not make up a majority of the Board as proposed in the Provisions 2.2 and 2.3 of the Code. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. The independence of each Director is reviewed annually by the NC.

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

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

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

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

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

Corporate Governance Report

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

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

All appointments and re-elections of Directors are reviewed and recommended by the NC to the Board. The Company would conduct a background check on the new candidate and the new candidate would provide the relevant declarations to the NC and Board for review. The independence of each Independent Director is reviewed by the NC and the Board annually in accordance with the guidelines of the Code. Although the Company has not adopted the board diversity policy, the Company has embraced all aspects of diversity in the current Board composition. The Board recognises the importance and value of gender and age diversity, however, the Board's collective view that it should not be considered the main selection and that merit of candidates, the right blend of skills, industry knowledge, needs of the Company, shall remain as priority.

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

Profiles of the Directors are found on pages 6 and 7 of this Annual Report.

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

Chairman and Chief Executive Officer

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

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

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

- scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- setting the meeting agenda of the Board;
- ensuring that Board meetings are held when necessary;
- facilitating contributions from the Independent Directors and encouraging constructive relationships between the Directors;
- exercising control over the quality, quantity and timeliness of information flow between the Management and the Board;
- ensuring and fostering constructive and effective communication with shareholders;

Corporate Governance Report

- promoting a culture of openness and debate at the Board; and
- promoting high standards of corporate governance with full support from the Directors and Management.

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

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

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

As the above practices deviate from the principles 2.2, 3.1 and 3.3 as recommended by the Code, the Board is progressively taking steps to re-constitute the composition of the Board members and/or appointing the Lead Independent Director to be in line with the Code.

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

Board Membership

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

As at the date of this report, the Board established the NC which comprises of 4 Directors, a majority of whom, including the NC Chairman, are Independent Directors. The NC is chaired by an Independent Director, Mr Gan Thiam Poh. The NC members are Mr Lim Geok Peng, Ms Tan Poh Hong and Mr Ow. The NC Chairman is also a Director who has no relationship with the Company, its related corporations, its substantial shareholders or its officer and is not directly associated with substantial shareholders.

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

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

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

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

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

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

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

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

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

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

Currently, the Company does not have any alternate Director being appointed to the Board during the FY2019.

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

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

In respect to FY2019, the NC conducts an annual review of the balance, diversity and size of the Board to determine any changes are required in relation to the Board composition. Where new directors are required, the NC will identify evaluates and selects suitable candidates for new Directorships. The NC considers factors such as the ability of the prospective candidates to contribute to discussions, the composition of the Board including the mix of expertise, skills and attributes to the existing Directors so as to identify needed and/or desired competencies to supplement the Board's existing attributes. After the Board endorsed the attributes, the NC taps into the resources of the Directors' contacts and/or engages external consultants to source for potential candidates. The NC will review and shortlist candidates and provide a recommendation for Board approval.

In respect to FY2019, the NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs and is satisfied that Directors are able to and have adequately carried out his or her duties as Directors of the Company and has contributed to the effectiveness of the Board as a whole and its Board Committees.

In accordance with Regulation 121 of the Constitution of the Company, at each AGM, not less than one-third of the Directors are required to retire from office by rotation. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years.

Pursuant to Regulations 121 and 125 of the Constitution of the Company, Mr Ng Kim Keang and Mr Lim Geok Peng, shall retire in accordance to Regulation 121 and Mr Gan Thiam Poh shall retire in accordance to Regulation 125 at the forthcoming AGM. In this regard, the NC having considered the Directors' overall contributions and performance as well as the attendance and participation of these Directors at the Board and Board committees' meetings, has recommended and the Board has approved their re-election. The retiring Directors, Mr Ng Kim Keang and Mr Lim Geok Peng and Mr Gan Thiam Poh being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the NC's recommendation. The details of the Directors seeking for re-election are found in Table A set out on page 31 to page 33 of this Annual Report.

Mr Ng Kim Keang and Mr Lim Geok Peng and Mr Gan Thiam Poh have abstained from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolutions in respect of the assessment of their respective performance, independence or re-nomination as a Director.

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Board Performance

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

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

During the financial year under review, each Director was required to complete the evaluation form and individual Director's assessments adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, Board Committees and each Director's contributions, and the results have been collated by the Chairman of NC for review or discussion.

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

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

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

Board Committees

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

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

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

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

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

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

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The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Directors' evaluation was conducted in 27 February 2020 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Group's remuneration policy is to provide remuneration packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

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

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

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

a) annual review of the remuneration of each of the Directors and key management personnel;
b) recommendations to the Board on a general framework of remuneration of the Directors and key management personnel;
c) determination of specific remuneration packages, including its termination terms, for the Directors and key management personnel; and
d) implement and administer share option scheme established from time to time for the Directors and key management personnel.

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

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

Each member of the RC will abstain from reviewing and approving his or her own remuneration, compensation or any form of benefit and the remuneration packages of persons related to him or her. The Group has and will continue to disclose the total remuneration paid to the Directors in the Annual Report of the Company. The RC met once during the financial year which was on 26 February 2019.

The RC, in considering the remuneration of all Directors, has not sought external advice nor appointed remuneration consultants during FY2019 and will continue to monitor the need of engaging external remuneration consultant as and where applicable.

Corporate Governance Report

Level and Mix of Remuneration

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

The Executive Directors do not receive Directors' fees except Mr Ow who sit on Nominating Committee as member and is paid in accordance to his Service Agreement with the Company. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors which are aligned with long term interest and risk policies of the Group. For FY2019, the Executive Directors and key management personnel have met the relevant performance conditions.

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

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

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

Disclosure on Remuneration

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

A breakdown showing the level and mix of remuneration of each Director's and top key management personnel (who are not Directors or CEO and those who were in service for FY2019) is set out below:–

	Remuneration paid/payable in FY2019					Breakdown of the Directors' Remuneration				
Name of Director	Up to S$250,000	S$250,001 to S$500,000	S$500,001 to S$750,000	S$750,001 to S$1,000,000	S$1,000,001 to S$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mr Ow Chin Seng	–	–	X	–	–	61	1	30	8	100
Mr Ow Eei Meng, Benjamin[1]	–	X	–	–	–	56	0	31	13	100
Mr Ng Kim Keang	–	X	–	–	–	61	0	27	12	100
Mr Lim Geok Peng	X	–	–	–	–	0	100	0	0	100
Ms Tan Poh Hong	X	–	–	–	–	0	100	0	0	100
Mr Gan Thiam Poh[3]	X	–	–	–	–	0	100	0	0	100

Notes:–

[1] Mr Ow Eei Meng, Benjamin is the son of Mr Ow Chin Seng.

[2] Mr Gan Thiam Poh appointed as Independent Director with effect from 30 September 2019.

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Name of key management personnel	Remuneration paid/payable in FY2019					Breakdown of the Executives' Remuneration				
	Up to S$250,000	S$250,001 to S$500,000	S$500,001 to S$750,000	S$750,001 to S$1,000,000	S$1,000,001 to S$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mdm Low Kheng[1]	X	–	–	–	–	89	0	10	1	100
Mr Koh Beng Leong[3][4]	X	–	–	–	–	89	0	0	11	100
Dr Yang Guo Ying	X	–	–	–	–	71	0	5	24	100
Mr Peh Choon Chieh[3]	X	–	–	–	–	88	0	6	6	100
Mr Ow Eei Phurn, Benedict[2]	X	–	–	–	–	72	0	0	28	100
Mr Loke Siew Meng, Michael	X	–	–	–	–	77	0	0	23	100
Mr Lim Khan Choon	X	–	–	–	–	88	0	8	4	100
Mr Terence Sim Soo Yong	X	–	–	–	–	86	0	7	7	100
Mr Tay Chee Seng	X	–	–	–	–	86	0	10	4	100

Notes:–

[1] Mdm Low Kheng is the wife of Mr Ow Chin Seng and mother of Mr Ow Eei Meng, Benjamin.

[2] Mr Ow Eei Phurn, Benedict is the son of Mr Ow Chin Seng and brother of Mr Ow Eei Meng, Benjamin.

[3] Mr Peh Choon Chieh and Mr Koh Beng Leong are the nephews of Mr Ow Chin Seng and cousins of Mr Ow Eei Meng, Benjamin.

[4] Mr Koh Beng Leong resigned on 30 September 2019.

The annual aggregate amount of the total remuneration paid to these key management personnel (who are not Directors or the CEO) for FY2019 is approximately S$1,450,000.

The annual aggregate amount of the termination, retirement and post-employment benefits granted to Directors and the CEO under their current contracts of employment or appointment (as the case may be) as at FY2019 is approximately S$837,000.

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

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

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

The Company has adopted the AnnAik Employee Share Option Scheme 2013 (the "**ESOS**"), which was approved by the shareholders at an Extraordinary General Meeting held on 18 September 2013, as part of a compensation plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The ESOS is administered by the RC which consists of Ms Tan Poh Hong, Mr Gan Thiam Poh and Mr Lim Geok Peng. Further details are found on pages 35 and 36 of this Annual Report.

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As at the date of this report, no share option was granted and no shares of the Company issued by virtue of the exercise of an option to take up unissued shares under the ESOS to either the CEO or other Executive and Non-Executive Directors.

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

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

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

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

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

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

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press release and/or posted on the Company's website. The Company's Annual Report is sent to all shareholders and accessible on the Company's website.

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

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

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

No risk management committee has been established as the AC has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures on a regular basis.

Corporate Governance Report

For FY2019, the Board has received assurances from:–

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

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

The AC has reviewed, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology risks.

During the course of audit by the internal and external auditors, their recommendations, the various management controls and reports put in place, representation letter from the Management and periodic reviews by the Management, the Board with the concurrence of the AC is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls, and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2019.

Audit Committee

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

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

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

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

Corporate Governance Report

Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularities, failure of internal controls or infringement of any Singapore law, rule or regulation which has or likely to have a material impact on the operating results and/or financial position of the Group. In the event that a member of the AC is interested in any matter being considered by the AC, he or she will abstain from reviewing that particular transaction or voting on that particular resolution.

It has been proposed that the AC will meet at least two times a year and as frequently as is required. In FY2019, the AC has met two times to review and approve the Group's half yearly announcement of FY2019 unaudited results, full year announcement of FY2019 unaudited results and approval of audit planning memorandum for statutory audit in FY2019.

The AC has reviewed all non-audit services provided by the auditors and they would not, in the AC's opinion, affect the independence of the external auditors. The aggregate amount of fees paid or payable to auditors for the financial year ended 31 December 2019, audit service fees amount to S$415,000 and non-audit service fees amount to S$20,000. The AC is satisfied with the independence and objectivity of Messrs Ernst & Young LLP and has recommended to the Board the nomination of Messrs Ernst & Young LLP for re-appointment as auditors of the Company at the forthcoming AGM.

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

Pursuant to Rule 712 and Rule 716 of the SGX-ST Catalist Rules, the Board and AC are satisfied that the appointment of different auditing firms for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Notes 16 and 17 to the financial statements.

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

In addition, in October 2015, with the support from SGX-ST and Singapore Institute of Directors, ACRA had introduced the "Audit Quality Indicators ("**AQIs**") Disclosure Framework to assist the ACs in evaluating the re-appointment of External Auditors based on eight (8) quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the External Auditors based on the eight (8) AQIs at engagement and/or firm-level.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the External Auditor in their meetings with the AC, to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. In line with the Provision 10.3 of the Code, no former partner or Director of the Company's existing auditing firm has acted as a member of the AC.

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

The AC meets with the Internal and External Auditors separately without the presence of the Management at least once a year. For FY2019, the AC met once with the EA and IA without the presence of the Management.

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

1	Write down of inventories to net realisable value
2	Impairment assessment of trade receivables
3	Impairment assessment of property, plant and equipment and goodwill
4	Step acquisition of investment in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd

Corporate Governance Report

Whistle-blowing policy

The Company has put in place a whistle-blowing policy in order to develop a culture of openness, accountability and integrity. The policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to Mr Lim Geok Peng, the Chairman of the AC. It aims to provide an avenue to employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith within the limits of the law. There were no whistle-blowing matters reported during the financial year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters. The audit committee must discuss such matter with the external auditor and, at appropriate times, report the matter to the board and to the sponsor. The sponsor should inform the Exchange where necessary.

Internal Audit

Since FY2004, the Company, upon the recommendation of the AC, appointed Messrs UHY Lee Seng Chan & Co. as Internal Auditors.

The scope of internal audit is to:–

(a) review the effectiveness of the Group's material internal controls;
(b) provide assurance that key business and operational risks are identified and managed;
(c) internal controls are in place and functioning as intended; and
(d) operations are conducted in an effective and efficient manner.

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

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

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

The internal audit work carried out in FY2019 was guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The AC and the Board review the adequacy and effectiveness of the internal audit function on an annual basis and are satisfied that in FY2019, the internal audit function has adequate resources to perform its duties effectively and is staffed by suitably qualified and experienced professionals with the relevant experience and independent of its activities it audits.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

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

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

Corporate Governance Report

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

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

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

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

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

The Company prepares and publishes minutes of general meetings incorporating the substantial and relevant comments or queries from shareholders that is relevant to the agenda of the meeting and responses from the Board and the Management. Such minutes are available to shareholders on its corporate website as soon as practicable.

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

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

Engagement with shareholders

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

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

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

The newsletters to all shareholders consist of information and message from the Company to the shareholders, projects updates for the shareholders to understand the business of the Company, the future expansion plan of the Company as well as highlights on the Company's recent projects and events.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

Corporate Governance Report

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

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

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

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

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

Stakeholders can contact the Company on the following services:

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

DEALINGS IN SECURITIES

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

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

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

(i) during the one month before and up to the date of announcement of half year and full year results;
(ii) on short term considerations; and
(iii) at any time if they are in possession of unpublished material price-sensitive information.

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

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has adopted an internal policy in respect of any transactions with interested person within the definition of Chapter 9 of the Listing Manual of SGX-ST and has set out procedures for review and approval of all interested person transactions. There were no interested party transactions equal to or exceeding S$100,000 in aggregate between the Company and any of its interested persons (namely, directors, executive directors or controlling shareholders of the Group or the associates of such directors, executive officers or controlling shareholders) subsisting for the financial year ended 31 December 2019.

RISK MANAGEMENT

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in Note 41 to the financial statements.

MATERIAL CONTRACTS

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

NON-SPONSOR FEES

With reference to Rule 1204 (21) of the SGX-ST Catalist Rules, there were $35,500 non-sponsor fees paid to the Sponsor, Hong Leong Finance Limited for the financial year ended 31 December 2019.

USE OF PROCEEDS

General- Disclosure of the status on the use of proceeds raised from The Rights cum Warrants issue pursuant to Chapter 8 whether such a use is in accordance with the stated use is as follows:–

	Allocation	Utilization	Balance
	S$'000	**S$'000**	**S$'000**
Undertake potential investment in distribution and environmental business	1,679	–	1,679
Working capital requirement	701	(280)	421
Repayment of bank borrowings	265	(265)	–
Total	**2,645**[1]	**(545)**	**2,100**

[1] The actual Net Proceeds after taking into account expenses related to Rights cum Warrants issue.

The Board wish to provide an update that the Company has during the period from 11 October 2019 to the date of this annual report utilised approximately S$0.265 million for repayment of bank borrowings and S$0.280 million for general working capital (settlement of Trust Receipts for purchase of inventories) from the net proceeds.

The above allocation basis used are based on average of Net Proceeds from Maximum Subscription and Minimum Subscription Scenario (before exercise of the Warrants). As of the date of this announcement, no warrants have been exercised.

The use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the circular or the announcements of the issuer.

Corporate Governance Report

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

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

Name of Director	**Ng Kim Keang**	**Lim Geok Peng**	**Gan Thiam Poh**
Date of Appointment	3 January 2005	11 July 2017	30 September 2019
Date of last re-appointment (if applicable)	N.A.	N.A.	N.A.
Age	45	54	57
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company is of the opinion that Mr Ng can continue to contribute positively to the Company after reviewing the NC's recommendation and Mr Ng's extensive experience.	After having considered the experience and skills of Mr Lim, the Board with the recommendation of the Nominating Committee, approved the appointment of Mr Lim as Independent Director of the Company.	After having considered the experience and skills of Mr Gan, the Board with the recommendation of the Nominating Committee, approved the appointment of Mr Gan as Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director cum Chief Operating Officer	Non-Executive and Independent Director, member of Nominating Committee and Remuneration Committee and Chairman of Audit Committee.	Non-Executive and Independent Director, member of Audit Committee and Remuneration Committee and Chairman of Nominating Committee.
Professional qualifications	Bachelor of Commerce from University of Adelaide, Australia, and is a full member of CPA Singapore and CA Singapore.	Bachelor of Accountancy from National University of Singapore and is a practicing member of the Institute of Singapore Chartered Accountant as well as CPA (Australia).	Bachelor of Science (Economics and Mathematics) degree from the National University of Singapore.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None

Corporate Governance Report

Name of Director	Ng Kim Keang	Lim Geok Peng	Gan Thiam Poh
Working experience and occupation(s) during the past 10 years	Mr Ng Kim Keang joined the Company in January 2003 as Financial Controller, and was promoted to Executive Director in January 2005 and Chief Operating Officer in March 2015. Currently, Mr Ng is responsible for managing the overall operations and the finance and accounting matters of the Group. Prior to joining the Company, Mr Ng worked in Deloitte & Touche, Malaysia, and Ernst & Young, Singapore.	He is Audit and Assurance Partner as well as HR and Training Partner at PKF-CAP LLP. He graduated with Bachelor of Accountancy from National University of Singapore and is a practicing member of the Institute of Singapore Chartered Accountant as well as CPA (Australia). Mr Lim serves as a member of ACRA's Complaints and Disciplinary Committee. He is also appointed as a lay person on the Inquiry Panel of the Legal Profession Act. Previously, Mr Lim was a member of the Public Accounting Practice Committee of the Institute of Singapore Chartered Accountant. He was also previously the Deputy Director and Head of the Practice Monitoring Division of ISCA, Co-Managing Director of a public accounting firm and CFO of a large non-profit organization.	Mr Gan has worked at DBS Bank since 2002 and is currently the Senior Vice President of Private Banking, DBS Bank Ltd. He has been in the Banking and Finance Industry since 1989 and held several leadership and senior roles in Institutional Banking. In his current role; he advises high-net-worth and ultra-high net-worth families with valuable wealth planning solutions. He has been the Member of Parliament since 2011 and is currently the Member of Parliament for Ang Mo Kio Group Representation Constituency from 2015 to present and the Deputy Chair of Government Parliamentary Committee; Environment and Water Resources (including Climate Change). He was also the member of Singapore Parliament Select committee (Public Accounts). He was the Audit Committee Chairman and Independent Director of Mainboard Listed Ouhua Energy Holdings Limited.
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 6,182,500	Mr Lim does not hold any shares in AnnAik Limited and its subsidiaries.	Mr Gan does not hold any shares in AnnAik Limited and its subsidiaries.
Other Principal Commitments* Including Directorships#	Past (for the last 5 years) • Megatech Scientific Pte Ltd	Past (for the last 5 years) • Nil	Past (for the last 5 years) • Nil

Corporate Governance Report

Name of Director	Ng Kim Keang	Lim Geok Peng	Gan Thiam Poh
* "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)	Present Directorship • Anxon Engineering Pte Ltd • AnnAik & Partners (S) Pte Ltd • Pioneer Environmental Technology Pte Ltd • Anxon Environmental Pte Ltd • Anxon Eco Holdings Pte Ltd • Anxon Oasis Pte Ltd • Ann Aik Pte Ltd • Shinsei Holdings Pte Ltd • Anxon Envirotech Pte Ltd • Metal Wang Pte Ltd	Present Directorship • PKF-HT Khoo Pac • PKF-ACPA Management Consultants Pte Ltd • PKF-CAP Risk Consulting Pte Ltd • PKF-CAP advisory Partners Pte Ltd • PKF-Khoo Management Services Pte Ltd • PKF-CAP Tax Solutions Pte Ltd	Present Directorship • Nil

Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	Yes	No	Yes
If yes, please provide details of prior experience.	Has been a Executive Director of AnnAik Limited since 2005	N.A	Independent Director and Audit Committee Chairman of Mainboard Listed Ouhua Energy Holdings Limited
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A	Yes	N.A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Has been a Executive Director of AnnAik Limited since 2005	Attended Listed Company Director Essentials and SID courses	He was the Audit Committee Chairman and Independent Director of Mainboard Listed Company.

The Retiring Directors have responded negative to items (a) to (k) listed in Rule 720(6) of the Listing Manual of SGX-ST.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

2. DIRECTORS

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

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

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

Directors' Statement

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
AnnAik Limited				
Ordinary shares				
Ow Chin Seng	74,362,958	92,953,697	8,274,924	14,343,655
Ow Eei Meng, Benjamin	–	–	2,919,400	2,919,400
Ng Kim Keang	3,871,100	6,182,500	–	–
Options to subscribe for ordinary shares under the AnnAik Share Option Scheme				
Ow Chin Seng	1,330,000	1,662,500	1,330,000	1,662,500
Ng Kim Keang	1,450,000	1,812,500	–	–

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

There was no change in any of the above-mentioned interest in the Company between the end of the financial year and 21 January 2020.

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

5. OPTIONS

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

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

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

Directors' Statement

5. OPTIONS (cont'd)

As at 31 December 2019, the details of the share options held by the directors of the Company under the Share Option Scheme are as follows:

Name of director	Options granted from 1.1.2019 to 31.12.2019	Aggregate options granted since commencement of the Scheme to 31.12.2019 '000	Aggregate options exercised since commencement of the Scheme to 31.12.2019 '000	Aggregate options cancelled/ lapsed since commencement of the Scheme to 31.12.2019 '000	Aggregate options outstanding as at 31.12.2019 '000
Ow Chin Seng	333	1,663	–	–	1,663
Ng Kim Keang	363	1,813	–	–	1,813

During the financial year ended 31 December 2019, adjustments in the form of additional options and revision of exercise prices were made in respect of options granted in 2013 which were unexercised as at 18 October 2019, following the issue of one (1) right share for every four (4) right issue share held by shareholders of the Company as at 10 October 2019.

Details of the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2019 are as follows:

Date of grant	Balance at 1.1.2019 '000	Grant '000	Exercised '000	Cancelled/ Lapsed '000	Balance at 31.12.2019 '000	Exercise price per option $	Exercise period
16.10.2013	10,632	–	–	(1,050)	9,582	0.0664	17.10.2015 – 15.10.2023
18.10.2019	–	2,396	–	–	2,396	0.0664	18.10.2019 – 15.10.2023
	10,632	2,396	–	(1,050)	11,978		

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

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

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

6. AUDIT COMMITTEE

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

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

Directors' Statement

6. AUDIT COMMITTEE (cont'd)

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

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

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

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

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

Directors' Statement

7. AUDITORS

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

On behalf of the board of directors:

Ow Eei Meng, Benjamin
Director

Ng Kim Keang
Director

Singapore
31 March 2020

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of AnnAik Limited

Report on the financial statements

We have audited the financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key audit matters

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

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

Write down of inventories to net realisable value

As at 31 December 2019, the Group's inventory balance amounted to $17,742,000, representing 36% of the total current assets of the consolidated balance sheet. During the current financial year, the Group has made reversal of allowance for slow-moving and obsolete inventories amounting to $42,000.

The Group is exposed to risk of slow-moving inventory as a result of volatility in selling prices of steel products. Significant judgement is required in the estimation of net realisable value and allowance for slow moving inventories. Such estimation is subject to factors such as volatility in the steel price, current and expected future market demand and pricing competition. As such, we determined that this is a key audit matter.

As part of our audit, we attended the inventory count and observed management's process in identifying slow moving items. For some locations with material inventory balances, we have obtained inventory count reports from management and also sent out a third party inventory confirmation to external service provider. In addition, we evaluated the Group's processes and controls relating to sale and purchase of inventories. We have also reviewed management processes in determining the selling prices of steel products by looking at current and expected future market demand and historical trend of steel prices. We also evaluated management's assumptions and estimates used to determine the write down amount through testing of the reliability of the sales movement reports and reviewing historical sales patterns. Further, we performed testing on a sample of items to assess the cost and the estimation of net realisable value of inventory at those locations. Finally, we reviewed the adequacy of the disclosures on the write down amount, and considered the sensitivity analysis in Note 3.2(d) of the financial statements.

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of AnnAik Limited

Key audit matters (cont'd)

Impairment assessment of trade receivables

As at 31 December 2019, trade receivable balances amounted to approximately $12,493,000 and they represent 26% of the total current assets of the Group. Allowance for expected credit loss ("ECL") amounted to $832,000.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group estimates the loss allowance by making debtor-specific assessment of expected impairment loss for certain customers and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for available current and forward-looking information specific to the debtors and economic environment. As the determination of the ECL for trade receivables involves significant management judgement, we have identified this as a key audit matter.

We evaluated the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks arising from transactions with customers. In addition, our audit procedures included, amongst others, on a sample basis, requesting trade receivable confirmations and evidence of receipts from the trade receivables subsequent to the year end. We also evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments. We further evaluated the ECL recognised in profit or loss through checking the arithmetic accuracy of management's computation of the ECL, testing the accuracy of the ageing of the trade receivables, analyses of ageing profile of the trade receivables to identify collection risks and assessment of significant overdue individual trade receivables. We assessed the adequacy of the disclosures on the trade receivables, the sensitivity analyses and the related credit risk and liquidity risk in Note 22, Note 3.2(c) and Note 41(a) to the consolidated financial statements respectively.

Impairment assessment of property, plant and equipment and goodwill

(a) Property, plant and equipment

As at 31 December 2019, the Group's property, plant and equipment balance amounted to $24,342,000, representing 33% of the total non-current assets of the consolidated balance sheet. Included in the balance are items related to plant and machineries that are mainly deployed in the steel related business segments, including the distribution and manufacturing segments. The weak economic environment and the volatility in steel prices have affected the performance of the steel business segment and gives rise to impairment indicators to the plant and machineries of the Group. Based on the outcome of impairment test carried out by management, no impairment loss of has been recognised on plant and machinery during the year.

As part of the impairment assessment, the carrying value of the plant and machineries is compared to the recoverable amount. These assets are reviewed, either on a stand-alone basis or as part of a wider cash-generating unit ("CGU"), for impairment using the higher of the value-in-use or fair value less costs to sell model. For steel distribution business segment, the assessment was performed based on value-in-use model where management's assumptions and judgement are used in estimating the underlying cash flow forecasts. For the steel manufacturing business segment, the assessment was performed based on fair value less cost to sell, where management has engaged an external valuer to assess the fair value of the plant and machineries. As the impairment assessment required significant management's estimates and judgement in determining the recoverable amount, we have determined this as a key audit matter.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group in estimating the recoverable amount. The value-in-use calculations involve the use of cash flow projections approved by management and the application of suitable discount rates. The cash flow projections included key assumptions of future revenues, profitability and related growth expectations. We checked that the cash flows were based on approved management budgets that reflected business plans, and evaluated management's forecasting process by comparing previous forecasts to actual results. We evaluated the assumptions used by comparing them to historical data as well as recent trends and market and economic outlooks. On the discount rates applied to determine present values, we have engaged our internal specialist to evaluate the rates by considering the key elements and risks of the respective cash flow projections, and making comparison to external observable data. In addition, we reviewed management's analysis on the sensitivity of the recoverable amount to changes in the assumptions like the discount rate used and changes in sales growth rate. For recoverable value assessment based on fair value less cost to sell, we have assessed the reliability of fair value less costs to sell assessed by the external valuer, notably through considering the independence, reputation and competency of the external valuer, reviewing their scope of service and assessing the reasonableness of the valuation methodology and assumptions used. Finally, we reviewed the adequacy of the disclosures on the impairment test in Note 11 to the financial statements.

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of AnnAik Limited

Key audit matters (cont'd)

Impairment assessment of property, plant and equipment and goodwill (cont'd)

(b) Goodwill

As at 31 December 2019, the Group's total goodwill amounted to $497,000 is relating to the concession rights of the wastewater treatment business.

Management has performed the impairment assessment using the discounted cash flow method which required significant judgment in determining the recoverable amount of the goodwill. As such, we determined this to be a key audit matter.

Our audit procedures included, amongst others, assessing the appropriateness of the methodology and evaluated the key assumptions and estimates used by management in determining the recoverable amount of this investment. We assessed the reasonableness of the key inputs used in the projection based on our understanding of the business and compared against externally available industry, economic and financial data. On the discount rates applied to determine present values, we have engaged our internal specialist to evaluate the rates by considering the key elements and risks of the respective cash flow projections, and making comparison to external observable data. In addition, we reviewed management's analysis on the sensitivity of the recoverable amount to changes in the assumptions like the discount rate used and changes in gross profit margin. Finally, we reviewed the adequacy of the disclosures on the impairment test, and considered the sensitivity analysis in Note 14 of the financial statements.

Step acquisition of investment in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd. ("Shuanglin")

On 15 July 2019, one of the Group's subsidiaries, Anxon Environmental Pte Ltd ("Anxon Environmental"), acquired additional 20% of the share capital of Shuanglin which resulted in an effective interest of 62% held by the Group.

This is a material acquisition and significant management judgement is required in the measurement of the fair value of the acquired identifiable assets and liabilities for the purpose of initial accounting at the date of acquisition. As a result of the acquisition, the Group recognised a gain on bargain purchase of $1,718,000 in its consolidated statement of comprehensive income.

Our audit procedures included inquiries with management on the identification of identifiable assets and liabilities. We reviewed and assessed the reasonableness of the assumptions used by management in the estimation of the fair values of the acquired identifiable assets and liabilities. We also checked the arithmetic computation of the provisional gain on bargain purchase as at the date of acquisition. Finally, we reviewed the adequacy of the disclosures on the step acquisition of a subsidiary in Note 16 of the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of AnnAik Limited

Responsibilities of management and directors for the financial statements (cont'd)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of AnnAik Limited

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Andrew Tan Chwee Peng.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2020

Consolidated Income Statement

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000 (Restated)
Revenue	4	**52,299**	56,766
Cost of sales		**(40,193)**	(46,025)
Gross profit		**12,106**	10,741
Other income	5	**5,092**	1,803
Distribution expenses		**(1,209)**	(1,557)
Administrative expenses		**(9,531)**	(9,419)
Impairment losses on financial assets	6	**(158)**	(217)
Other operating expenses		**(1,696)**	(477)
Share of profits of associates		**956**	1,572
Finance costs	7	**(1,418)**	(1,157)
Profit before tax	8	**4,142**	1,289
Income tax expense	9	**(665)**	(326)
Profit for the year		**3,477**	963
Attributable to:			
Owners of the Company		**2,147**	830
Non-controlling interests		**1,330**	133
		3,477	963
Earnings per share (cents per share):			
Basic and diluted	10	**0.84**	0.34

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Group 2019 $'000	Group 2018 $'000 (Restated)
Profit for the year	**3,477**	963
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	**(1,005)**	(802)
Other comprehensive income for the year, net of tax	**(1,005)**	(802)
Total comprehensive income for the year	**2,472**	161
Total comprehensive income attributable to:		
Owners of the Company	**1,413**	252
Non-controlling interests	**1,059**	(91)
	2,472	161

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

Balance Sheets

As at 31 December 2019

	Note	Group 31.12.2019 $'000	Group 31.12.2018 $'000 (Restated)	Group 1.1.2018 $'000 (Restated)	Company 31.12.2019 $'000	Company 31.12.2018 $'000
Non-current assets						
Property, plant and equipment	11	**24,342**	27,529	28,867	**–**	–
Right-of-use assets	12	**3,919**	–	–	**–**	–
Land use rights	13	**–**	269	286	**–**	–
Goodwill	14	**497**	1,339	1,427	**–**	–
Intangible assets	15	**33,374**	21,856	21,924	**2,036**	2,375
Investment in subsidiaries	16	**–**	–	–	**29,025**	29,289
Investment in associates	17	**10,654**	13,898	12,681	**–**	–
Investment securities	18	**–**	–	–	**–**	–
Club membership	19	**190**	190	190	**190**	190
Refundable deposits	20	**853**	869	899	**–**	–
Deferred tax assets	31	**3**	4	–	**–**	–
		73,832	65,954	66,274	**31,251**	31,854
Current assets						
Land use rights	13	**–**	7	7	**–**	–
Inventories	21	**17,742**	19,537	20,273	**–**	–
Prepayments		**184**	112	150	**36**	24
Trade and other receivables	22	**19,201**	16,669	13,706	**185**	120
Amounts due from subsidiaries and associates	23	**–**	–	525	**12,968**	11,435
Cash and bank balances	24	**10,989**	5,468	6,189	**2,421**	257
Financial derivative assets	29	**–**	1	–	**–**	–
Assets classified as held for sale	25	**665**	636	255	**–**	–
		48,781	42,430	41,105	**15,610**	11,836
Total assets		**122,613**	108,384	107,379	**46,861**	43,690
Current liabilities						
Amounts due to subsidiaries and associates	23	**259**	2,646	3,906	**120**	131
Trade payables	26	**3,115**	2,627	2,545	**–**	–
Other payables and accruals	27	**10,009**	6,788	4,729	**994**	480
Loans and borrowings	28	**15,228**	15,767	14,811	**1,477**	200
Provision for income tax		**947**	369	532	**–**	–
Financial derivative liabilities	29	**4**	–	1	**–**	–
Lease liabilities	12	**128**	–	–	**–**	–
		29,690	28,197	26,524	**2,591**	811
Net current assets		**19,091**	14,233	14,581	**13,019**	11,025

Balance Sheets
As at 31 December 2019

	Note	Group 31.12.2019 $'000	Group 31.12.2018 $'000 (Restated)	Group 1.1.2018 $'000 (Restated)	Company 31.12.2019 $'000	Company 31.12.2018 $'000
Non-current liabilities						
Other payables and accruals	27	**631**	43	–	**–**	–
Loans and borrowings	28	**15,843**	16,672	16,849	**171**	–
Deferred government grants	30	**1,591**	1,703	1,835	**–**	–
Deferred tax liabilities	31	**1,205**	423	425	**–**	–
Finance derivative liabilities	29	**–**	12	48	**–**	–
Lease liabilities	12	**2,817**	–	–	**–**	–
		22,087	18,853	19,157	**171**	–
Total liabilities		**51,777**	47,050	45,681	**2,762**	811
Net assets		**70,836**	61,334	61,698	**44,009**	42,879
Equity attributable to equity holders of the Company						
Share capital	32	**38,776**	36,131	36,131	**38,776**	36,131
Treasury shares	32	**(470)**	(470)	(216)	**(470)**	(470)
Foreign currency translation reserve	33	**(1,033)**	(299)	279	**–**	–
Statutory reserve fund	34	**2,098**	1,070	315	**–**	–
Employee share option reserve	35	**523**	580	785	**523**	580
Retained earnings		**19,452**	18,276	18,489	**5,270**	6,638
		59,346	55,288	55,783	**44,099**	42,879
Non-controlling interests		**11,490**	6,046	5,915	**–**	–
Total equity		**70,836**	61,334	61,698	**44,099**	42,879
Total equity and liabilities		**122,613**	108,384	107,379	**44,099**	43,690

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

Group	Share capital (Note 32) $'000	Treasury shares (Note 32) $'000	Foreign currency translation reserve (Note 33) $'000	Statutory reserve fund (Note 34) $'000	Employee share option reserve (Note 35) $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2019									
Balance at 1 January 2019, restated	36,131	(470)	(299)	1,070	580	18,276	55,288	6,046	61,334
Profit for the year	–	–	–	–	–	2,147	2,147	1,330	3,477
Other comprehensive income									
– Foreign currency translation	–	–	(734)	–	–	–	(734)	(271)	(1,005)
Total comprehensive income for the year	–	–	(734)	–	–	2,147	1,413	1,059	2,472
Contribution by and distributions to owners									
– Expiry of share options	–	–	–	–	(57)	57	–	–	–
– Issuance of ordinary shares	2,844	–	–	–	–	–	2,844	–	2,844
– Share issuance expenses	(199)	–	–	–	–	–	(199)	–	(199)
Total transactions with owners via their capacity as owners	2,645	–	–	–	(57)	57	2,645	–	2,645
Changes in ownership interests in subsidiaries									
– Capital contributions from non-controlling interests	–	–	–	–	–	–	–	4,605	4,605
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	4,605	4,605
Others									
– Transfer to statutory reserve fund	–	–	–	1,028	–	(1,028)	–	–	–
– Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(220)	(220)
Balance at 31 December 2019	38,776	(470)	(1,033)	2,098	523	19,452	59,346	11,490	70,836

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

Group	Share capital (Note 32) $'000	Treasury shares (Note 32) $'000	Foreign currency translation reserve (Note 33) $'000	Statutory reserve fund (Note 34) $'000	Employee share option reserve (Note 35) $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2018									
Balance at 1 January 2018	36,131	(216)	286	315	785	18,242	55,543	5,915	61,458
– Prior year restatement (Note 46)	–	–	(7)	–	–	247	240	–	240
Balance at 1 January 2018, restated	36,131	(216)	279	315	785	18,489	55,783	5,915	61,698
Profit for the year	–	–	–	–	–	830	830	133	963
Other comprehensive income									
– Foreign currency translation	–	–	(578)	–	–	–	(578)	(224)	(802)
Total comprehensive income for the year, restated	–	–	(578)	–	–	830	252	(91)	161
Contribution by and distributions to owners									
– Expiry of share options	–	–	–	–	(205)	205	–	–	–
– Purchase of treasury shares	–	(254)	–	–	–	–	(254)	–	(254)
– Dividend paid (Note 36)	–	–	–	–	–	(493)	(493)	–	(493)
Total transactions with owners via their capacity as owners	–	(254)	–	–	(205)	(288)	(747)	–	(747)
Changes in ownership interests in subsidiaries									
– Capital contributions from non-controlling interests	–	–	–	–	–	–	–	360	360
– Acquisition of non-controlling interest without a change in control	–	–	–	–	–	–	–	(138)	(138)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	–	222	222
Others									
– Transfer to statutory reserve fund	–	–	–	755	–	(755)	–	–	–
Balance at 31 December 2018, restated	36,131	(470)	(299)	1,070	580	18,276	55,288	6,046	61,334

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

Company	Share capital (Note 32) $'000	Treasury shares (Note 32) $'000	Employee share option reserve (Note 35) $'000	Retained earnings $'000	Total equity $'000
2019					
At 1 January 2019	**36,131**	**(470)**	**580**	**6,638**	**42,879**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,425)**	**(1,425)**
Contribution by and distributions to owners					
– Expiry of share options	**–**	**–**	**(57)**	**57**	**–**
– Issuance of ordinary shares	**2,844**	**–**	**–**	**–**	**2,844**
– Share issuance expenses	**(199)**	**–**	**–**	**–**	**(199)**
Total transactions with owners via their capacity as owners	**2,645**	**–**	**(57)**	**57**	**2,645**
At 31 December 2019	**38,776**	**(470)**	**523**	**5,270**	**44,099**
2018					
At 1 January 2018	36,131	(216)	785	7,664	44,364
Total comprehensive income for the year	–	–	–	(738)	(738)
Contribution by and distributions to owners					
– Expiry of share options	–	–	(205)	205	–
– Purchase of treasury shares	–	(254)	–	–	(254)
– Dividend paid (Note 36)	–	–	–	(493)	(493)
Total transactions with owners via their capacity as owners	–	(254)	(205)	(288)	(747)
At 31 December 2018	36,131	(470)	580	6,638	42,879

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000 (Restated)
Cash flows from operating activities:			
Profit before tax		**4,142**	1,289
Adjustments for:			
Impairment losses on trade receivables	6, 22	**158**	217
Amortisation of intangible assets	8, 15	**1,296**	1,306
Amortisation of land use rights	8, 13	**–**	7
Amortisation of government grant	5, 30	**(67)**	(70)
Bad debts written off	8	**42**	5
Depreciation of property, plant and equipment	8, 11	**1,315**	1,467
Depreciation of right-of-use asset	8,12	**198**	–
Fair value gain on derivative instrument (unrealised)	5, 29	**(7)**	(38)
Finance costs	7	**1,418**	1,157
Gain on disposal on investment in a subsidiary	5	**(7)**	–
Impairment loss on investment in associates	8, 17	**15**	–
Impairment loss on goodwill	8, 14	**842**	–
Interest income	5	**(37)**	(41)
Gain on disposal of plant and equipment	5	**(1,493)**	(17)
Gain on bargain purchase	5, 16(b)	**(1,718)**	–
(Reversal of allowance)/allowance for slow moving inventories	8, 21	**(42)**	379
Write-down/(reversal of write-down) of inventories to net realisable value	8, 21	**50**	(46)
Written-off of intangible assets	8, 15	**118**	36
Written-off of property, plant and equipment	8, 11	**4**	–
Share of profits of associates		**(956)**	(1,572)
Unrealised foreign exchange loss, net		**49**	91
Operating profit before working capital changes		**5,320**	4,170
(Increase)/decrease in:			
Trade receivables		**(310)**	(412)
Other receivables		**1,666**	(2,735)
Inventories		**1,797**	403
Increase/(decrease) in:			
Trade payables		**403**	82
Other payables		**2,077**	2,102
Bills payables		**(1,119)**	1,015
Cash generated from operations		**9,834**	4,625
Interest expense paid		**(1,418)**	(1,157)
Interest income received		**37**	41
Income taxes paid		**(462)**	(495)
Net cash flows generated from operating activities		**7,991**	3,014

Consolidated Cash Flow Statement

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000 (Restated)
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		**3,163**	101
Proceeds from disposal of assets classified as held for sale	25	**–**	145
Receipt of fixed deposit, pledged		**–**	1,000
Purchase of property, plant and equipment	11	**(137)**	(477)
Additions to right-of-use assets	12	**(493)**	–
Additions to intangible assets	15	**(5,026)**	(1,847)
Proceeds from disposal of investment in a subsidiary	16	**4**	–
Net cash outflow of acquisition of a subsidiary	16	**(25)**	–
Net cash flows used in investing activities		**(2,514)**	(1,078)
Cash flows from financing activities:			
Purchase of treasury shares	32	**–**	(254)
Proceeds from/(repayment of) loans and borrowings		**47**	(61)
Decrease in amount due from associates		**(2,387)**	(735)
Capital contribution from non-controlling interests		**–**	360
Acquisition of non-controlling interests without a change in control		**–**	(145)
Repayment of obligations under finance leases		**–**	(67)
Dividends paid	36	**–**	(493)
Repayment of principal portion of lease liabilities	12	**(116)**	–
Net proceeds from share issue	32	**2,645**	–
Net cash flows generated from/(used in) financing activities		**189**	(1,395)
Net increase in cash and cash equivalents		**5,666**	541
Cash and cash equivalents at beginning of year		**5,468**	4,990
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(145)**	(63)
Cash and cash equivalents at end of year	24	**10,989**	5,468

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. CORPORATE INFORMATION

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

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

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

The principal activities of the subsidiaries and associates are disclosed in Notes 16 and 17 to the financial statements respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards that are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SFRS(I) 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Adoption of new and amended standards and interpretations (cont'd)

SFRS(I) 16 *Leases* (cont'd)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/ (decrease) $'000
Assets	
Right-of-use assets	3,315
Property, plant and equipment	(163)
Land use rights	(276)
Total assets	2,876
Liabilities	
Loans and borrowings	(118)
Lease liabilities	2,994
Total liabilities	2,876

The Group has lease contracts for various items of leasehold land, motor vehicles and office equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.21 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.21 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

<u>Leases previously classified as finance leases</u>

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

<u>Leases previously accounted for as operating leases</u>

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Adoption of new and amended standards and interpretations (cont'd)

SFRS(I) 16 *Leases* (cont'd)

Leases previously accounted for as operating leases (cont'd)

Based on the above, as at 1 January 2019:

- Right-of-use assets of $3,315,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of $163,000 that were reclassified from property, plant and equipment and $276,000 that were reclassified from land use rights.
- Additional lease liabilities of $2,994,000 were recognised. This includes finance lease obligations of $118,000 that were reclassified from loans and borrowings.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group $'000
Assets	
Operating lease commitments as at 31 December 2018	4,576
Weighted average incremental borrowing rate as at 1 January 2019	4.88%
Discounted operating lease commitments as at 1 January 2019	2,876
Add:	
Commitments relating to leases previously classified as finance lease	118
Lease liabilities as at 1 January 2019	2,994

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to FRS 1 and FRS 8 *Definition of Material*	1 January 2020
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

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

2.4 Basis of consolidation and business combinations

(a) ***Basis of consolidation***

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) ***Business combinations and goodwill***

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

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Foreign currency

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

(a) ***Transactions and balances***

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) ***Consolidated financial statements***

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

2.7 Subsidiaries

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

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

2.8 Associate

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Associate (cont'd)

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

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

2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

2.10 Intangible assets

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Intangible assets (cont'd)

(a) ***Patent rights***

The patent rights relate to purchase of the rights to use the Biological Trickling Filter patent in relation to rural wastewater treatment. The rights is amortised on a straight-line basis over the remaining contractual life of 7 years, from the date of purchase of such rights until 31 March 2026.

(b) ***Concession rights***

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

(c) ***Technical know-how***

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

(d) ***Club membership***

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

(e) ***Rights to draw water***

Rights to draw water is amortised on a straight-line basis over the remaining contractual life of 35 years.

2.11 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Financial instruments

(a) ***Financial assets***

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

(i) ***Amortised cost***

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

(ii) ***Fair value through profit or loss***

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

Investments in equity instruments

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

Derivatives

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

De-recognition

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Financial instruments (cont'd)

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.13 Impairment of financial assets

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

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

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

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

2.14 Cash and cash equivalents

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

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Inventories

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

– Raw materials (for manufacturing products): purchase costs on a weighted average basis.

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

– Finished goods (for distribution products and engineering): purchase costs on a first-in first-out basis.

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

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

2.16 Provisions

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

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

<u>Deferred consideration payable</u>

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

2.17 Government grants

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Financial guarantee

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

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

2.19 Borrowing costs

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

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

2.20 Employee benefits

(a) ***Defined contribution plans***

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. In addition, the subsidiary companies in the People's Republic of China ("PRC") pay fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement***

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

(c) ***Employee share option plans***

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Leases

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

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

As lessee

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

(i) ***Right-of-use assets***

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

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

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

(ii) ***Lease liabilities***

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

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

(iii) ***Short-term leases***

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Leases (cont'd)

As lessor

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

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

As lessee

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalized. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Land use rights represents payments in advance for the rights to use lands for an agreed period. The amounts prepaid are amortised on a straight-line basis over the lease term ranging from 25 to 50 years.

2.22 Non-current assets held for sale

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

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

2.23 Revenue

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

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

(a) ***Sale of goods***

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all performance obligations have been satisified. Shipping services and sales of goods are determined as two separate performance obligations and are recognised as point in time, upon the transfer of significant risks and rewards of ownership to the customers.

(b) ***Service income from environmental business***

Service income of the Group's environmental business relates to the monthly meter readings and the minimum guaranteed sum from the local government on a monthly basis.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Revenue (cont'd)

(c) ***Construction revenue***

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

2.24 Taxes

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Taxes (cont'd)

(b) ***Deferred tax (cont'd)***

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

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

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

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

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

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

2.25 Share capital and share issuance expenses

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

2.26 Treasury shares

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

2.27 Contingencies

A contingent liability is:

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

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

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

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

The non-controlling interests of subsidiaries and investment in associate attributable to the PRC individuals are $3,178,000 (2018: $674,000) and $nil (2018: $2,516,000) respectively.

(b) ***Income taxes***

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

(c) ***Determination of control and joint control***

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

Investment in Ichinose Emico Valves (S) Pte Ltd

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

As at 31 December 2019, the carrying value of the investment is $363,000 (2018: $463,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty

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

(a) ***Impairment of goodwill***

Goodwill acquired in a business combination is allocated, at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as described in Note 14 to the financial statements.

To determine whether there is an impairment of goodwill at the end of the reporting period, it is necessary to compare the carrying value of goodwill with the recoverable amount from the cash-generating unit to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash-generating unit. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14.

(b) ***Impairment of property, plant and equipment***

As disclosed in Note 11 to the financial statements, the recoverable amount of the Group's certain plant and machinery used in steel manufacturing business segment is determined based on fair value or net carrying amount less cost of disposal approach, using depreciated replacement cost model. The key assumptions are disclosed in Note 11 to the financial statements.

(c) ***Estimation of expected credit losses of trade receivables***

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. A 5% difference in the ECLs from management's estimates would result in approximately decrease of $8,000 (2018: $11,000) in the Group's profit before tax. The information about the ECLs on the Group's trade receivables is disclosed in Note 41(a).

The carrying amount of trade receivables as at 31 December 2019 are $12,493,000 (2018: $10,860,000) respectively.

(d) ***Allowances for inventories***

Inventories are stated at the lower of cost and net realisable value. In assessing the allowance for inventories, the Group takes into account the historical obsolescence and slow-moving experiences and future demand of their product. The carrying amount of inventories is disclosed in Note 21 of the financial statements.

Based on management's estimate, inventories are fully provided for obsolescence if there are no sale movements within 4 years. At the end of the reporting period, an allowance for inventory obsolescence of $1,504,000 (2018: $1,546,000) has been made. If full allowance is to be made for inventories without sale movement within 3 years, the Group's allowance for inventory obsolescence will increase by $419,000 (2018: $638,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(e) ***Useful lives of property, plant and equipment***

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be within 5 to 44 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Company's and Group's property, plant and equipment as at 31 December 2019 were disclosed in Note 11. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately decrease of $66,000 (2018: $73,000) in the Group's profit before tax.

Notes to the Financial Statements
For the financial year ended 31 December 2019

4. REVENUE

(a) Disaggregation of revenue

Segments	Sale of goods 2019 $'000	Sale of goods 2018 $'000	Service income from environmental business 2019 $'000	Service income from environmental business 2018 $'000	Construction revenue[1] 2019 $'000	Construction revenue[1] 2018 $'000	Total revenue 2019 $'000	Total revenue 2018 $'000
Primary geographical markets								
Singapore	**16,592**	14,136	**–**	–	**–**	–	**16,592**	14,136
People's Republic of China	**2,765**	938	**8,554**	6,650	**5,539**	1,992	**16,858**	9,580
South Korea	**3,063**	10,616	**–**	–	**–**	–	**3,063**	10,616
Malaysia and others	**15,786**	22,434	**–**	–	**–**	–	**15,786**	22,434
	38,206	48,124	**8,554**	6,650	**5,539**	1,992	**52,299**	56,766
Timing of transfer of goods or services								
At a point in time	**38,206**	48,124	**8,554**	6,650	**–**	–	**46,760**	54,774
Over time	**–**	–	**–**	–	**5,539**	1,992	**5,539**	1,992
	38,206	48,124	**8,554**	6,650	**5,539**	1,992	**52,299**	56,766

(1) Amount relating to services for the construction of assets being operated under service concession rights arrangement as described in Note 15 and Note 44.

(b) Judgement and methods used in estimating revenue

Construction revenue

Revenue is recognised over time based on the actual costs incurred relative to the total estimated costs. The estimated costs are based on past experiences and knowledge of the project engineers to make estimates of the amounts to be incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2019

5. OTHER INCOME

	Note	Group 2019 $'000	Group 2018 $'000
Amortisation of government grant	30	**67**	70
Fair value gain on derivative instrument (unrealised)	29	**7**	38
Gain of disposal on investment in a subsidiary		**7**	–
Interest income		**37**	41
Income from government subsidies	A	**522**	426
Management fee income charged to external parties		**41**	213
Net foreign exchange gain		**–**	71
Rental income		**315**	435
Gain on disposal of property, plant and equipment			
– LinXing Water Supply Co., Ltd	14	**1,466**	–
– Others		**27**	17
Gain on bargain purchase		**1,718**	–
Others		**885**	492
		5,092	1,803

Note A

Government subsidies relate mainly to:

– Grant income received from government by the subsidiaries operating wastewater plants in the PRC;

– Enterprise Singapore ("ES") Grant for global ready infrastructure talent programme and global company partnership;

– Wage Credit Scheme (WCS) subsidy for Singaporeans' wages increment;

– Special Employment Credit ("SEC") subsidy for hiring Singaporeans aged above 50.

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Group 2019 $'000	Group 2018 $'000
Impairment losses on trade receivables (Note 22)	**158**	217

7. FINANCE COSTS

	Group 2019 $'000	Group 2018 $'000
Interest expense on:		
– Accretion of interests on deferred consideration payable	**18**	–
– Individual and related parties	**44**	31
– Bank loans and bank overdrafts	**1,212**	1,120
– Finance leases	**–**	6
– Lease liabilities (Note 12)	**144**	–
	1,418	1,157

Notes to the Financial Statements

For the financial year ended 31 December 2019

8. PROFIT BEFORE TAX

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

	Note	Group 2019 $'000	2018 $'000
Amortisation of intangible assets	15	**1,296**	1,306
Amortisation of land use rights	13	**–**	7
Bad debts written off		**42**	5
Depreciation of property, plant and equipment	11	**1,315**	1,467
Depreciation of right-of-use assets	12	**198**	–
Directors' fees paid to the directors of the Company		**83**	100
Employee benefits expense	A	**6,812**	6,267
Impairment loss on investment in associate	17	**15**	–
Impairment loss on goodwill	14	**842**	–
Net foreign exchange loss		**187**	–
Rental expenses		**–**	212
Rental expenses relating to short-term leases		**24**	–
(Reversal of allowance)/allowance for slow moving inventories	21	**(42)**	379
Write-down/(reversal of write-down) of inventories to net realisable value	21	**50**	(46)
Written off intangible assets		**118**	36
Written off property, plant and equipment		**4**	–
Audit fees:			
– Paid to Ernst & Young LLP		**158**	146
– Paid to affiliates of Ernst & Young LLP		**102**	8
– Paid to other auditors		**155**	135
Non-audit fees:			
– Paid to Ernst & Young LLP		**14**	14
– Paid to other auditors		**6**	10

Note A – Employee benefits expense

	Group 2019 $'000	2018 $'000
Employee benefit expense (including directors):		
Salaries, bonuses and other benefits	**6,200**	5,654
Defined contribution plans	**612**	613
	6,812	6,267

Presented in the consolidated statement of comprehensive income as:

	Group 2019 $'000	2018 $'000
Cost of sales	**170**	245
Administrative expenses	**5,899**	5,278
Distribution expenses	**743**	744
	6,812	6,267

Notes to the Financial Statements
For the financial year ended 31 December 2019

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019 $'000	2018 $'000 (Restated)
Consolidated income statement		
Current taxation:		
– Current income taxation	**796**	332
– Overprovision in respect of prior years	**(60)**	(4)
	736	328
Deferred taxation (Note 31):		
– Origination and reversal of temporary differences	**(71)**	(2)
	(71)	(2)
Income tax expense recognised in the profit or loss	**665**	326

Reconciliation between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019 $'000	2018 $'000 (Restated)
Profit before tax	**4,142**	1,289
Tax at domestic rates applicable to profits in the countries where the Group operates[1]	**764**	302
Tax adjustments:		
Non-deductible expenses	**202**	215
Income not subject to taxation	**(51)**	(117)
Effect of partial tax exemption	**(132)**	(25)
Tax effect of share of results of associates	**(163)**	(267)
Deferred tax assets not recognised	**159**	239
Benefits from previously unrecognised tax losses	**(6)**	(2)
Overprovision of income tax in respect of prior years	**(60)**	(4)
Others	**(48)**	(15)
Income tax expense recognised in the profit or loss	**665**	326

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

9. INCOME TAX EXPENSE (cont'd)

Reconciliation between tax expense and accounting profit (cont'd)

(a) ***Entities incorporated in PRC***

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

In April 2019, as part of the PRC government's efforts to promote the development and growth of environmental-related businesses, the local tax authorities announced an incentive whereby the corporate tax rate for businesses engaged in environmental-related businesses will be reduced to 15% from 1 January 2019.

Other PRC entities

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

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

The applicable income tax rate for Singapore, South Korea and Malaysia incorporated companies is 17%, 11% and 24% respectively.

(c) ***Unrecognised tax losses***

At the end of the reporting period, the Group has tax losses of approximately $13,541,000 (2018: $12,641,000) that are available for set off against future taxable profits of the Group, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provision of the tax legislations. The tax losses have no expiry date.

10. EARNINGS PER SHARE

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

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

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

	Group	
	2019	**2018 (Restated)**
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share ($'000)	**2,147**	830
Number of shares ('000)		
Weighted average number of ordinary shares for basic and diluted loss per share computation	**254,722**	246,406
Earnings per share (cents)		
Basic and diluted earnings per share	**0.84**	0.34

All share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive as the exercise price is higher than the share price.

Since the end of the financial year, there were no share options being exercised by the eligible employees to acquire the Company's shares.

Notes to the Financial Statements
For the financial year ended 31 December 2019

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture, renovation, fixtures and equipment $'000	Construction-in-progress $'000	Total $'000
Cost							
At 1 January 2018	4,754	22,795	5,454	1,602	1,234	216	36,055
Additions	–	24	27	177	162	181	571
Disposals	–	–	(33)	(401)	(1)	–	(435)
Written off	–	–	–	–	(17)	(145)	(162)
Transfer to assets classified as held for sale (Note 25)	–	–	(1,187)	–	–	–	(1,187)
Exchange differences	94	45	73	(12)	–	(3)	197
At 31 December 2018 and 1 January 2019	**4,848**	**22,864**	**4,334**	**1,366**	**1,378**	**249**	**35,039**
Reclassified to right-of-use assets (Note 12)	**–**	**–**	**–**	**(182)**	**(31)**	**–**	**(213)**
As at 1 January 2019	**4,848**	**22,864**	**4,334**	**1,184**	**1,347**	**249**	**34,826**
Additions	**–**	**29**	**2**	**56**	**29**	**21**	**137**
Acquisition of a subsidiary (Note 16)	**–**	**–**	**–**	**52**	**29**	**–**	**81**
Disposals	**–**	**(1,784)**	**(102)**	**–**	**(33)**	**–**	**(1,919)**
Written off	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Transfer to assets classified as held for sale (Note 25)	**–**	**–**	**(84)**	**–**	**–**	**–**	**(84)**
Transfer from work-in-progress	**–**	**217**	**–**	**–**	**–**	**(217)**	**–**
Exchange differences	**(50)**	**(93)**	**(28)**	**(21)**	**(8)**	**(2)**	**(202)**
At 31 December 2019	**4,798**	**21,233**	**4,122**	**1,271**	**1,356**	**51**	**32,831**

Notes to the Financial Statements
For the financial year ended 31 December 2019

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture, renovation, fixtures and equipment $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation and impairment loss							
At 1 January 2018	–	2,655	2,626	1,035	727	145	7,188
Depreciation charge for the year	–	749	380	176	162	–	1,467
Disposals	–	–	(11)	(339)	(1)	–	(351)
Transfer to assets classified as held for sale (Note 25)	–	–	(661)	–	–	–	(661)
Written off	–	–	–	–	(17)	(145)	(162)
Exchange differences	–	1	36	(7)	(1)	–	29
At 31 December 2018 and 1 January 2019	**–**	**3,405**	**2,370**	**865**	**870**	**–**	**7,510**
Reclassified to right-of-use assets (Note 12)	**–**	**–**	**–**	**(47)**	**(3)**	**–**	**(50)**
As at 1 January 2019	**–**	**3,405**	**2,370**	**818**	**867**	**–**	**7,460**
Depreciation charge for the year	**–**	**719**	**308**	**140**	**148**	**–**	**1,315**
Acquisition of a subsidiary (Note 16)	**–**	**–**	**–**	**39**	**20**	**–**	**59**
Disposals	**–**	**(168)**	**(63)**	**–**	**(18)**	**–**	**(249)**
Transfer to assets classified as held for sale (Note 25)	**–**	**–**	**(48)**	**–**	**–**	**–**	**(48)**
Written off	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Exchange differences	**–**	**(8)**	**(15)**	**(21)**	**–**	**–**	**(44)**
At 31 December 2019	**–**	**3,948**	**2,552**	**976**	**1,013**	**–**	**8,489**
Net carrying value							
At 31 December 2018	4,848	19,459	1,964	501	508	249	27,529
At 31 December 2019	**4,798**	**17,285**	**1,570**	**295**	**343**	**51**	**24,342**

Notes to the Financial Statements

For the financial year ended 31 December 2019

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets held under finance leases

During the previous financial year, the Group acquired plant and equipment and motor vehicles with an aggregate cost of $94,000 by means of finance leases.

At 31 December 2018, the Group had plant and equipment and motor vehicles amounting to $28,000 and $135,000 respectively which were held under finance leases.

Leased assets are pledged as security for the related finance lease liabilities.

The cash outflow on the acquisition of property, plant and equipment during the year, excluding finance lease financing, amounted to $137,000 (2018: $477,000).

The additions in property, plant and equipment are by means of:

	2019 $'000	2018 $'000
Additions of property, plant and equipment	**137**	571
Less: Finance lease arrangements	**–**	(94)
Cash invested in property, plant and equipment	**137**	477

Assets pledged as security

In addition to assets held under finance lease, the Group's freehold land and buildings with a carrying amount of $9,472,000 (2018: $9,690,000) and $12,601,000 (2018: $13,139,000) respectively and plant and equipment with a carrying amount of $477,000 (2018: $988,000) are mortgaged to secure the Group's bank loans (Note 28).

Particulars of properties held by the Group as at 31 December 2019 are as follows:

Location	Description
52 Tuas Avenue 9, Singapore 639193	One 2-storey office building with a single storey warehouse attached and one 2-storey warehouse with mezzanine floor built on land area of 11,633 square meters
Lot No. 458, No. 459 and No. 460, Mukim 12, Tempat Kampung Gurun, Daerah Sekerang Petai Selatan, Penang	One 1-storey factory building with 2-storey training room, locker room, hostel, canteen, water pump room and 1-storey guardhouse attached, built on land are of 45,397 square meters

Valuation technique and key assumptions

The recoverable amount of the plant and machineries and buildings were determined based on the valuation technique and key assumptions:

Description	Fair value hierarchy	Valuation technique	Key assumptions
Plant and Machinery	Level 3	Depreciated replacement cost method	Include consideration of: • Market value; • Economic or external obsolescence; • Functional or technical obsolescence; and • Physical deterioration
Buildings	Level 3	Market comparable approach and investment (income) method	Difference in location, time, size and physical conditions

Notes to the Financial Statements

For the financial year ended 31 December 2019

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group has lease contracts for various items of leasehold land, motor vehicles and office equipment used in its operations. Leases of leasehold land and land use rights generally have lease terms between 24 years to 50 years, while motor vehicles and office equipment generally have lease terms between 2 and 8 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

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

	Leasehold land $'000	Land use rights $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Cost:					
At 1 January 2019	–	–	–	–	–
Effect of adopting SFRS(I) 16	2,836	–	35	5	2,876
Reclassified from property, plant and equipment (Note 11)	–	–	182	31	213
Reclassified from land use rights (Note 13)	–	348	–	–	348
At 1 January 2019	2,836	348	217	36	3,437
Additions	–	442	121	–	563
Acquisition of a subsidiary (Note 16)	–	414	–	–	414
Exchange differences	–	(17)	(2)	–	(19)
At 31 December 2019	2,836	1,187	336	36	4,395
Accumulated depreciation:					
At 1 January 2019	–	–	–	–	–
Reclassified from property, plant and equipment (Note 11)	–	–	47	3	50
Reclassified from land use rights (Note 13)	–	72	–	–	72
At 1 January 2019	–	72	47	3	122
Depreciation charge for the year	119	23	50	6	198
Acquisition of a subsidiary (Note 16)	–	160	–	–	160
Exchange differences	–	(4)	–	–	(4)
At 31 December 2019	119	251	97	9	476
Net carrying value:					
At 31 December 2019	2,717	936	239	27	3,919

The cash outflow on the acquisition of right-of-use assets during the year, excluding lease financing, amounted to $493,000.

The additions in right-of-use assets are by means of:

	2019 $'000
Additions of right-of-use assets	563
Less: Finance lease arrangements	(70)
Cash invested in right-of-use assets	493

Notes to the Financial Statements

For the financial year ended 31 December 2019

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 $'000
As at 1 January 2019	–
Effect of adopting SFRS(I) 16	2,876
Reclassified from loans and borrowings (Note 28)	118
As at 1 January 2019	2,994
Additions	70
Accretion of interest	144
Payments	(260)
Exchange differences	(3)
As at 31 December 2019	2,945
Current	128
Non-current	2,817
	2,945

The following are the amounts recognised in profit or loss:

	2019 $'000
Depreciation expense of right-of-use assets (Note 8)	198
Interest expense on lease liabilities (Note 7)	144
Expense relating to short-term leases (included in administrative expenses)	24
Total amount recognised in profit or loss	366

The Group had total cash outflows for leases of $284,000 in 2019.

13. LAND USE RIGHTS

The land use rights is amortised on a straight-line basis over the lease period of the lands of 50 years and is included in administrative expenses in the consolidated income statement.

As at 31 December 2018, the remaining lease period is 40 years.

	Group $'000
Cost	
At 1 January 2018	360
Exchange differences	(12)
At 31 December 2018 and 1 January 2019	348
Reclassified to right-of-use assets (Note 12)	(348)
At 1 January 2019 and 31 December 2019	–
Accumulated amortisation	
At 1 January 2018	67
Amortisation	7
Exchange difference	(2)
At 31 December 2018 and 1 January 2019	72
Reclassified to right-of-use assets (Note 12)	(72)
At 1 January 2019 and 31 December 2019	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. LAND USE RIGHTS (cont'd)

	Group 31.12.2019 $'000	Group 31.12.2018 $'000
Net carrying value		
Current	**–**	7
Non-current	**–**	269
	–	276

14. GOODWILL

Goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from that business combination for impairment testing purpose, as follows:

	Group 31.12.2019 $'000	Group 31.12.2018 $'000
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd ("AngWei Enviro") and its subsidiaries[(1)]	**497**	497
ChangXing LinSheng Wastewater Treatment Co., Ltd ("ChangXing LinSheng") and its subsidiaries[(2)]	**842**	842
Less: Impairment losses	**(842)**	–
	497	1,339

(1) Comprising the wastewater treatment business of its subsidiaries, arising from the service concession rights granted by the PRC government as disclosed in Note 44 to the financial statements.

(2) Comprising the freshwater treatment business of LinXing Water Supply Co., Ltd ("LinXing") disclosed in Note 16 to the financial statements.

During the financial year, the Group's subsidiary company, LinXing sold its property, plant and equipment with carrying amount of RMB8,626,000 (equivalent to $1,669,000) that were used in its operations for a consideration of RMB16,200,000 (equivalent to $3,135,000). The gain on disposal of RMB7,574,000 (equivalent to $1,466,000) has been recognised under the "Other operating income" line item in the consolidated financial statement. Subsequent to the sale of the property, plant and equipment, LinXing has ceased its operations and became dormant.

Accordingly, management has performed an impairment test for the goodwill in ChangXing LinSheng and has provided an impairment loss of $842,000 for the year ended 31 December 2019.

The recoverable amount of AngWei Enviro Group (2018: AngWei Enviro Group and ChangXing LinSheng Group) has been determined based on value in use calculation using cash flow projection from the financial budgets approved by management covering the remaining concession periods, useful lives of the wastewater treatment plants as well as the rights to draw water operated by the CGU, ranging from 21 – 28 years (2018: 22 – 29 years). The discount rate applied to these cash flows is 7% (2018: 7%).

Key assumptions used in the value in use calculation

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

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

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

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

Notes to the Financial Statements

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14. GOODWILL (cont'd)

Sensitivity to changes in assumptions:

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

15. INTANGIBLE ASSETS

Group	Patent rights $'000	Concession rights $'000	Technical know-how $'000	Rights to draw water $'000	Total $'000
Cost:					
At 1 January 2018	3,732	22,865	411	–	27,008
Additions	–	1,847	–	–	1,847
Acquisition of a subsidiary	–	–	–	88	88
Written off	–	(68)	–	–	(68)
Exchange differences	–	(790)	(14)	–	(804)
At 31 December 2018 and 1 January 2019	**3,732**	**23,854**	**397**	**88**	**28,071**
Additions	**–**	**5,026**	**–**	**–**	**5,026**
Acquisition of a subsidiary (Note 16)	**–**	**10,917**	**–**	**–**	**10,917**
Written off	**–**	**(61)**	**–**	**(86)**	**(147)**
Exchange differences	**–**	**(836)**	**(10)**	**(2)**	**(848)**
At 31 December 2019	**3,732**	**38,900**	**387**	**–**	**43,019**
Accumulated amortisation:					
At 1 January 2018	1,017	3,656	411	–	5,084
Amortisation	340	964	–	2	1,306
Written off	–	(32)	–	–	(32)
Exchange differences	–	(129)	(14)	–	(143)
At 31 December 2018 and 1 January 2019	**1,357**	**4,459**	**397**	**2**	**6,215**
Acquisition of a subsidiary (Note 16)	**–**	**2,335**	**–**	**–**	**2,335**
Amortisation	**339**	**955**	**–**	**2**	**1,296**
Written off	**–**	**(25)**	**–**	**(4)**	**(29)**
Exchange differences	**–**	**(162)**	**(10)**	**–**	**(172)**
At 31 December 2019	**1,696**	**7,562**	**387**	**–**	**9,645**
Carrying amount:					
At 31 December 2018	2,375	19,395	–	86	21,856
At 31 December 2019	**2,036**	**31,338**	**–**	**–**	**33,374**

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For the financial year ended 31 December 2019

15. INTANGIBLE ASSETS (cont'd)

Company	Patent rights $'000
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	3,732
Accumulated amortisation:	
At 1 January 2018	1,017
Amortisation	340
At 31 December 2018 and 1 January 2019	**1,357**
Amortisation	**339**
At 31 December 2019	**1,696**
Carrying amount:	
At 31 December 2018	2,375
At 31 December 2019	**2,036**

Patent rights

The patent rights relate to the rights to use the Biological Trickling Filter patent in relation to rural wastewater treatment. The rights are amortised on a straight-line basis over the remaining contractual life of 7 (2018: 8) years, until 31 March 2026.

The carrying amount of the Company's intangible assets is wholly made up of the carrying amount of the patent rights.

Concession rights

The Group has service concession rights from and obligations to certain governing bodies and agencies in the PRC to construct and operate industrial wastewater treatment plants in Lijiaxiang Town, Zhicheng Town, Lincheng Town, Wushan Town and Shuanglin Town, Zhejiang Province in the PRC for pre-determined periods. These concession rights are for periods of 25 to 50 years.

The cost of the concession rights is amortised on a straight-line basis over the concession period from the commencement of the operations of each respective plant and is charged to cost of sales in the income statement. Concession rights have an estimated remaining useful life of 21 to 39 years (2018: 22 to 40 years) at the end of the financial year.

Technical know-how

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

Rights to draw water

The Group's subsidiary, LinXing Water Supply Co., Ltd ("LinXing"), has entered into an agreement with ZhouWu Reservoir pursuant to which LinXing has the rights to draw water from the reservoir for a period of 36 years from 2017. The cost of the rights to draw water is amortised on a straight-line basis over the period.

During the financial year, the Group has sold off LinXing's property, plant and equipment to a third party (Note 14). Accordingly, the rights to draw water of $82,000 had been written off and was recognised under the "Other operating expenses" line item in the consolidated income statement.

Cash outflow on acquisition of intangible assets

The cash outflow on the acquisition of intangible assets during the year amounted to $5,026,000 (2018: $1,847,000).

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16. INVESTMENT IN SUBSIDIARIES

	Company	
	31.12.2019 $'000	31.12.2018 $'000
Unquoted equity shares, at cost	**27,343**	27,343
Due from subsidiaries (non-trade)	**8,498**	8,662
Less: Impairment losses	**(6,816)**	(6,716)
	29,025	29,289

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

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2019 %	31.12.2018 %
Held by the Company				
AnnAik & Partners (S) Pte Ltd ("AA Partners")[2]	Singapore	Investment holding	**100**	100
Anxon Eco Holdings Pte Ltd ("Anxon Eco")[2]	Singapore	Investment holding	**100**	100
Anxon Engineering Pte Ltd[2]	Singapore	Designing, contracting and management of engineering projects	**55**	55
Anxon Environmental Pte Ltd ("Anxon Enviro")[2]	Singapore	Investment holding	**100**	100
Anxon Oasis Pte ltd (f.k.a Wesco Steel Pte Ltd)[2]	Singapore	Marketing and sale of steel related products	**100**	100
Anxon Envirotech Pte Ltd[2]	Singapore	Investment holding	**100**	100
Ann Aik Pte Ltd[1]	Singapore	Marketing and sale of steel related products	**100**	100
Pioneer Environmental Technology Pte Ltd ("Pioneer")[2]	Singapore	Development of environmental technologies and environmental engineering	**51**	51
Shinsei Holdings Pte Ltd ("SHPL")[1]	Singapore	Investment holding	**92**	92
Ichinose Emico Valves (S) Pte Ltd[2]	Singapore	Marketing and sale of steel related products	**50**	50
Metal Wang Pte Ltd ("MWPL")[1]	Singapore	Wholesale of metals and metal ores	**60**	60

Notes to the Financial Statements

For the financial year ended 31 December 2019

16. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Composition of the Group (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2019 %	31.12.2018 %
Held through AA Partners				
AnnAik Pipes & Fittings (Shanghai) Co., Ltd ("AA Shanghai")[3]	PRC	Marketing and sale of steel related products and provision of import and export agency services	**100**	100
Held through AA Shanghai				
ZheJiang ShengTai Environmental Technology Co., Ltd.[6]	PRC	Development of environmental technologies and environmental engineering	**55**	–
Held through Anxon Enviro				
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. ("Angwei Enviro")[3]	PRC	Owning and management of wastewater treatment plants	**60**	60
ChangXing AngWei Environmental & Ecological Engineering Co., Ltd. ("ChangXing AW")[3]	PRC	Owning and management of wastewater treatment plants	**60**	60
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd[3][8]	PRC	Owning and management of wastewater treatment plants	**62**	–
Held through Anxon Eco				
ChangXing LinSheng Wastewater Treatment Co., Ltd ("CX LinSheng")[3]	PRC	Owning and management of wastewater treatment plant	**88**	88
Held through CX LinSheng				
ChangXing Wusheng Wastewater Treatment Co., Ltd[3]	PRC	Owning and management of wastewater treatment plant	**88**	88
LinXing Water Supply Co., Ltd[3]	PRC	Owning and management of fresh water treatment plant	**75**	75
ChangXing LinYi Wastewater Treatment Co., Ltd ("CXLY")[3]	PRC	Owning and management of wastewater treatment plant	**70**	70

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16. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Composition of the Group (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2019 %	31.12.2018 %
Held by SHPL				
Shinsei Industry Sdn. Bhd ("SISB")[4]	Malaysia	Production of steel flanges and related products	**92**	92
Held by SISB				
Shinsei Resources Recovery Sdn Bhd[6][7]	Malaysia	Manufacturing and trading of plastic resin	**–**	92
Held by AngWei Enviro				
ChangXing Lijiaxiang New Era Wastewater Treatment Co., Ltd ("LJX")[3]	PRC	Owning and management of wastewater treatment plant	**60**	60
Held by Pioneer				
Suzhou Pioneer Environmental Technology Pte Ltd[3]	PRC	Development of environmental technologies and environmental engineering	**41**	41
Held by MWPL				
Handel Co., Ltd[5]	South Korea	Wholesale of metals and metal ores	**36**	36
Held through LJX				
ChangXing Annyi Wastewater Treatment Co., Ltd ("CXAY")[3]	PRC	Owning and management of wastewater treatment plant	**60**	60
ChangXing Hengyi Wastewater Treatment Co., Ltd[3]	PRC	Owning and management of wastewater treatment plant	**60**	60

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by another firm of auditors, Ecovis Assurance LLP.
(3) Audited by Ecovis Assurance LLP, Singapore, for the purpose of inclusion of the entities' results into the Group's consolidated financial statements.
(4) Audited by Ernst & Young LLP, Penang, Malaysia.
(5) Audited by HoYeon Accounting Corp, South Korea.
(6) Not required to be audited by the laws of the country of incorporation.
(7) The Group has disposed the investment in Shinsei Resources Sdn Bhd to a third party in January 2019 with a sales consideration of $4,000. Accordingly, the gain on disposal of $7,000 has been recognised under the "Other operating income" line item in the consolidated income statement.
(8) The Group held an interest of 42% before acquiring an additional 20% during the year.

Notes to the Financial Statements

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16. INVESTMENT IN SUBSIDIARIES (cont'd)

Significant restrictions:

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

Cash and cash equivalents of $4,726,000 (2018: $2,508,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

(a) ***Incorporation of a subsidiary***

On 15 October 2019, the Group's subsidiary company, AnnAik Pipes & Fittings (Shanghai) Co., Ltd, incorporated a 55% owned subsidiary, Zhejiang Shengtai Environmental Technology Co., Ltd ("Zhejiang Shengtai") in People Republic of China with a start-up capital of RMB10,000,000 or $1,932,000 equivalent. The principal activity of Zhejiang Shengtai is to provide environmental engineering services, development of environmental technologies and construction of environmental engineering facilities.

(b) ***Step acquisition of subsidiary***

On 15 July 2019, the Group's subsidiary company, Anxon Environmental Pte Ltd ("Anxon Environmental"), acquired an additional 20% of the equity interest in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd ("Shuanglin"). Upon the acquisition, the Group owns 62% of shareholding in Shuanglin and Shuanglin became a subsidiary of the Group.

The acquisition is in the ordinary course of expansion of the Group's business.

The fair value of the identifiable assets and liabilities of Shuanglin as at the acquisition date were:

	31.12.2019 $'000
Property, plant and equipment	22
Intangible assets	8,582
Right-of-use assets	254
Trade and other receivables	4,160
Inventories	10
Cash and cash equivalents	679
	13,707
Trade payables	(85)
Other payables and accruals	(347)
Income tax payable	(304)
Deferred tax liabilities	(853)
	(1,589)

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For the financial year ended 31 December 2019

16. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) ***Step acquisition of subsidiary*** **(cont'd)**

	31.12.2019 $'000
Total identifiable net assets at fair value	**12,118**
Non-controlling interest measured at the non-controlling interest's proportionate share of Shuanglin's net identifiable liabilities	**(4,605)**
Investment previously classified as investment in associate, at fair value	**(3,926)**
Gain on bargain purchase arising from acquisition (Note 5)	**(1,718)**
	1,869
Consideration transferred for the acquisition of Shuanglin	
Cash paid	**704**
Deferred consideration payable	**1,165**
Total consideration transferred	**1,869**
Effect of the acquisition of Shuanglin on cash flows	
Consideration settled in cash	**704**
Less: Cash and cash equivalents of subsidiary acquired	**(679)**
Net cash outflow on acquisition	**25**

(c) ***Interest in subsidiaries with material non-controlling interests ("NCI")***

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit/(loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000
31 December 2019:				
Shuanglin	**PRC**	**38**	**118**	**3,395**
ChangXing AW	**PRC**	**40**	**295**	**2,192**
CXAY	**PRC**	**40**	**465**	**2,089**
LJX	**PRC**	**40**	**300**	**1,929**
CX LinSheng	**PRC**	**12**	**(213)**	**677**
31 December 2018:				
Shuanglin	PRC	–	–	–
ChangXing AW	PRC	40	160	1,948
CXAY	PRC	40	291	1,663
LJX	PRC	40	68	1,672
CX LinSheng	PRC	12	20	674

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16. INVESTMENT IN SUBSIDIARIES (cont'd)

(c) ***Interest in subsidiaries with material non-controlling interests ("NCI") (cont'd)***

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

Summarised balance sheets

	Shuanglin		ChangXing AW		CXAY	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Current						
Assets	**5,309**	–	**1,333**	2,232	**3,301**	2,647
Liabilities	**(1,271)**	–	**(3,371)**	(1,628)	**(1,796)**	(1,691)
Net current assets/ (liabilities)	**4,038**	–	**(2,038)**	604	**1,505**	956
Non-current						
Assets	**4,918**	–	**7,993**	4,821	**3,964**	4,042
Liabilities	**(23)**	–	**(476)**	(557)	**(256)**	(839)
Net non-current assets	**4,895**	–	**7,517**	4,264	**3,708**	3,203
Net assets	**8,933**	–	**5,479**	4,868	**5,213**	4,159

	LJX		CX LinSheng	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Current				
Assets	**3,097**	2,523	**2,628**	3,218
Liabilities	**(5,691)**	(6,118)	**(875)**	(1,428)
Net current (liabilities)/assets	**(2,594)**	(3,595)	**1,753**	1,790
Non-current				
Assets	**8,403**	8,834	**4,263**	4,224
Liabilities	**(987)**	(1,058)	**(374)**	(394)
Net non-current assets	**7,416**	7,776	**3,889**	3,830
Net assets	**4,822**	4,181	**5,642**	5,620

Summarised statement of comprehensive income

	Shuanglin		ChangXing AW		CXAY	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue	**835**	–	**4,820**	1,688	**2,323**	1,758
Profit before tax	**391**	–	**806**	510	**1,230**	728
Tax credit/(expense)	**18**	–	**(69)**	(110)	**(67)**	–
Profit after tax, representing total comprehensive income	**409**	–	**737**	400	**1,163**	728

	LJX		CX LinSheng	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue	**1,959**	1,269	**826**	1,152
Profit before tax	**863**	233	**162**	224
Tax (expense)/credit	**(113)**	(64)	**5**	(56)
Profit after tax, representing total comprehensive income	**750**	169	**167**	168

Notes to the Financial Statements

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16. INVESTMENT IN SUBSIDIARIES (cont'd)

(c) ***Interest in subsidiaries with material non-controlling interests ("NCI")*** **(cont'd)**

Other summarised information

	Shuanglin		ChangXing AW		CXAY	
	2019	**2018**	**2019**	**2018**	**2019**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Net cash flows from operations	**1,001**	–	**580**	603	**1,593**	944
Acquisition of significant property, plant and equipment	**–**	–	**57**	1	**–**	–

	LJX		CXLS	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Net cash flows from operations	**1,461**	141	**174**	269
Acquisition of significant property, plant and equipment	**1**	–	**–**	2

(d) ***Impairment testing of investment in subsidiaries***

During the financial year, management has performed an impairment test for the Company's investment in certain subsidiaries. As a result, the Company has made an impairment loss of $100,000 (2018: $326,000) for the year ended 31 December 2019 to write down these investments to their respective recoverable amounts.

17. INVESTMENT IN ASSOCIATES

		Group	
	31.12.2019	**31.12.2018**	**1.1.2018**
	$'000	**$'000**	**$'000**
		(Restated)	**(Restated)**
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd	**–**	3,773	3,440
Shanghai Onway Environmental Development Co., Ltd Group	**10,572**	10,040	9,118
Wuhan Pioneer Environmental Technology Pte Ltd	**97**	85	123
Less: Impairment losses	**(15)**	–	–
	10,654	13,898	12,681

The investment in associates does not have published price quotation.

During the financial year, management has performed an impairment test for the Group's investment in Wuhan Pioneer Environmental Technology Pte Ltd. As a result, the Group has made an impairment loss of $15,000 for the year ended 31 December 2019.

On 15 July 2019, the Group's subsidiary company, Anxon Environmental Pte Ltd acquired an additional 20% of the equity interest in Shuanglin (Huzhou) Wastewater Treatment Co., Ltd. ("Shuanglin") Upon the acquisition, the Group owns 62% of shareholding in Shuanglin and Shuanglin became a subsidiary of the Group. Accordingly, the Group has classified its investment in Shuanglin as an subsidiary (Note 16).

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17. INVESTMENT IN ASSOCIATES (cont'd)

The details of the investment in associates are summarised below:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership 31.12.2019 %	31.12.2018 % (Restated)	1.1.2018 % (Restated)
Held through Anxon Enviro					
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd[1]	PRC	Owning and management of wastewater treatment plant	**–**	42	42
Held through Anxon Envirotech					
Shanghai Onway Environmental Development Co., Ltd (Shanghai Onway)[2]	PRC	Provision of equipment in rural wastewater treatment	**25**	25	25
Held through Shanghai Onway					
ZheJiang XinYu Environmental Technology Pte Ltd[2]	PRC	Provision of engineering, procurement and construction ("EPC") activities in relation to wastewater treatment	**25**	25	25
Held through Suzhou Pioneer					
Wuhan Pioneer Environmental Technology Pte Ltd[1]	PRC	Environmental engineering services, developing environmental technologies and environmental engineering project	**30**	30	30

(1) Audited by Ecovis Assurance LLP, Singapore, for the purpose of inclusion of the entity's results into the Group's consolidated financial statements.

(2) Audited by Ernst & Young Hua Ming LLP, Chengdu, PRC, for the purpose of inclusion of the entity's results into the Group's consolidated financial statements.

Notes to the Financial Statements

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17. INVESTMENT IN ASSOCIATES (cont'd)

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

Summarised balance sheet	Shanghai Onway Group			Shuanglin		
	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)	31.12.2019 $'000	31.12.2018 $'000	1.1.2018 $'000
Current assets	**48,559**	47,043	37,139	**–**	4,449	3,111
Non-current assets	**18,838**	3,492	970	**–**	5,303	5,896
Total assets	**67,397**	50,535	38,109	**–**	9,752	9,007
Current liabilities	**14,621**	7,991	11,786	**–**	716	747
Non-current liabilities	**5,795**	–	–	**–**	53	69
Total liabilities	**20,416**	7,991	11,786	**–**	769	816
Net assets	**46,981**	42,544	26,323	**–**	8,983	8,191
Non-controlling interest of Shanghai Onway Group	**(4,693)**	(2,384)	–	**–**	–	–
Net assets attributable to the Group	**42,288**	40,160	26,323	**–**	8,983	8,191
Proportion of the Group's ownership	**25%**	25%	25%	**–**	42%	42%
Group's share of net assets	**10,572**	10,040	6,581	**–**	3,773	3,440
Movement due to outstanding capital injection from owner of the Company	**–**	–	2,537	**–**	–	–
Carrying amount of the investment	**10,572**	10,040	9,118	**–**	3,773	3,440

Summarised statement of comprehensive income

	Shanghai Onway Group		Shuanglin	
	2019 $'000	2018 $'000 (Restated)	2019 $'000 (Note A)	2018 $'000
Revenue	**24,220**	15,445	**1,221**	2,393
Profit after tax	**3,152**	4,612	**372**	914
Other comprehensive income	**(1,024)**	(924)	**(216)**	(121)
Total comprehensive income	**2,128**	3,688	**156**	793

Note A: The summarised statement of comprehensive income is till 15 July 2019.

18. INVESTMENT SECURITIES

	Group and Company	
	31.12.2019 $'000	31.12.2018 $'000
Unquoted equity security, at cost	**5,667**	5,667
Less: Impairment loss	**(5,667)**	(5,667)
Net carrying amount	**–**	–

This relates to the Company's 17.6% equity interest in an unquoted investment which is incorporated in Singapore and is engaged in property development activities in the PRC.

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19. CLUB MEMBERSHIP

	Group and Company	
	31.12.2019	**31.12.2018**
	$'000	**$'000**
Club membership, at cost (indefinite life)	**190**	190

20. REFUNDABLE DEPOSITS

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

21. INVENTORIES

	Group	
	31.12.2019	**31.12.2018**
	$'000	**$'000**
Balance sheet:		
Raw materials	**976**	438
Work-in-progress	**26**	38
Finished goods	**16,740**	19,061
At cost or net realisable value	**17,742**	19,537
Income statement:		
Inventories recognised as an expense in cost of sales	**34,545**	39,141
Inclusive of the following charge/(credit):		
– Write-down/(reversal of write-down) of inventories	**50**	(46)
– (Reversal of allowance)/allowance for slow moving inventories	**(42)**	379

Inventories are stated after allowance for inventory obsolescence of $1,504,000 (2018: $1,546,000).

Movement in allowance account at end of the year:

	Group	
	2019	**2018**
	$'000	**$'000**
At beginning of the year	**1,546**	1,167
Allowance made during the year	**–**	379
Reversal of allowance made during the year	**(42)**	–
At the end of the year	**1,504**	1,546

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22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Trade receivables				
– External parties	**13,325**	11,536	**–**	–
Less: Loss allowance provision	**(832)**	(676)	**–**	–
	12,493	10,860	**–**	–
Non-trade receivables				
Other receivables	**4,513**	3,675	**180**	120
GST receivables	**671**	478	**5**	–
Advances to suppliers for trade purchase	**786**	816	**–**	–
Amounts due from related parties	**412**	638	**88**	88
Refundable deposits	**471**	347	**–**	–
Less: Loss allowance provision	**(145)**	(145)	**(88)**	(88)
Total trade and other receivables	**19,201**	16,669	**185**	120

Trade receivables

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

Amounts due from related parties

At the end of the reporting period, the amounts due from related parties amounted to $412,000 (2018: $638,000) which are non-interest bearing, repayable on demand and are to be settled in cash, except for an amount of $320,000 (2018: $559,000) which bears interest ranging at 4.35% (2018: 4.00% to 4.35%) per annum.

Expected credit losses

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

	Group	
	2019 $'000	2018 $'000
Movement in allowance accounts:		
At 1 January	**676**	491
Charge for the year	**158**	217
Written off	**–**	(35)
Exchange differences	**(2)**	3
At 31 December	**832**	676

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Movement in allowance accounts:				
At 1 January and 31 December	**145**	145	**88**	88

Notes to the Financial Statements
For the financial year ended 31 December 2019

22. TRADE AND OTHER RECEIVABLES (cont'd)

Expected credit losses (cont'd)

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

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
United States dollars:				
– Trade receivables	**701**	1,639	**–**	–
– Other receivables	**964**	572	**–**	–
Chinese Renminbi:				
– Trade receivables	**5,670**	2,523	**–**	–
– Other receivables	**4,381**	4,312	**–**	–

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

Amounts due from subsidiaries

	Company	
	31.12.2019 $'000	31.12.2018 $'000
Amounts due from subsidiaries	**12,968**	11,435

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

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

	Company	
	31.12.2019 $'000	31.12.2018 $'000
United States dollars	**3,034**	3,927

Amounts due to subsidiaries and associates

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Amounts due to subsidiaries	**–**	–	**120**	131
Amount due to associates	**259**	2,646	**–**	–
	259	2,646	**120**	131

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

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24. CASH AND BANK BALANCES

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Cash at banks and on hand	**8,812**	5,405	**321**	257
Fixed deposit	**2,177**	63	**2,100**	–
Cash and cash equivalents in the consolidated cash flow statement	**10,989**	5,468	**2,421**	257

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

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
United States dollars	**1,790**	1,489	**228**	98
Chinese Renminbi	**4,695**	2,448	**–**	–

25. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2019 $'000	2018 $'000
At 1 January	**636**	255
Transfer from property, plant and equipment (Note 11)	**36**	526
Sales during the year	**–**	(145)
Exchange difference	**(7)**	–
At 31 December	**665**	636

In the previous year, the Group has sold their equipment with carrying amount of $145,000 for a consideration of $145,000.

26. TRADE PAYABLES

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Trade payables – third parties	**3,115**	2,470	**–**	–
Amount owing to a related party	**–**	157	**–**	–
	3,115	2,627	**–**	–

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

The amount owing to a related party is unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

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

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
United States dollars	**639**	1,317	**–**	–
Chinese Renminbi	**1,906**	311	**–**	–

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27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Non-current:				
Deferred consideration payable	**603**	–	**–**	–
Other payables	**28**	43	**–**	–
	631	43	**–**	–
Current:				
Accrued expenses	**2,276**	1,500	**896**	321
Accrued directors' fees	**83**	100	**83**	100
Deferred consideration payable	**484**	–	**–**	–
Deposits and advances from customers	**2,181**	995	**–**	–
GST payables	**16**	52	**–**	52
Other payables	**4,969**	4,141	**15**	7
	10,009	6,788	**994**	480
Total other payables and accruals	**10,640**	6,831	**994**	480

Other payables and accruals, including the deferred consideration payable, denominated in foreign currency at 31 December are as follows:

	Group		Company	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	2018 $'000
United States dollars	**334**	170	**–**	–
Chinese Renminbi	**6,585**	4,965	**–**	–

28. LOANS AND BORROWINGS

		Group		Company	
	Note	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Current:					
Bank loans:					
– Revolving SGD loan facilities	(a)	**1,120**	1,050	**–**	–
– Secured RMB term loans	(b)	**775**	1,191	**–**	–
– Unsecured RMB term loans	(c)	**579**	–	**–**	–
– Secured SGD term loans	(d)	**785**	660	**–**	–
– Unsecured SGD term loans	(e)	**1,477**	200	**1,477**	200
– Secured USD term loans	(f)	**2,905**	2,936	**–**	–
		7,641	6,037	**1,477**	200
Other loans and borrowings:					
Bills payables – for trade purpose		**7,577**	8,696	**–**	–
Finance lease obligations		**–**	43	**–**	–
Government loans		**10**	991	**–**	–
		15,228	15,767	**1,477**	200
Non-current:					
Bank loans:					
– Secured RMB term loans	(b)	**1,441**	1,248	**–**	–
– Secured SGD term loans	(d)	**9,607**	10,392	**–**	–
– Unsecured SGD term loans	(e)	**171**	–	**171**	–
– Secured USD term loans	(f)	**4,050**	4,438	**–**	–
		15,269	16,078	**171**	–
Other loans and borrowings:					
Finance lease obligations		**–**	75	**–**	–
Government loans		**574**	519	**–**	–
		15,843	16,672	**171**	–
Total loans and borrowings		**31,071**	32,439	**1,648**	200

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28. LOANS AND BORROWINGS (cont'd)

Bank loans

The Group has the following outstanding bank loans:

(a) Revolving SGD loan facilities of $1,120,000 (2018: $1,050,000) are secured by a corporate guarantee from the holding company. The loans bear fixed interests ranging from 3.08% to 3.20% (2018: 2.18% to 3.50%) per annum.

(b) Secured RMB term loans comprising:

- Term loan of RMB4,408,000 or $852,000 equivalent (2018: RMB7,489,000 or $1,485,000 equivalent) is secured by corporate guarantee by an immediate and ultimate holding company and personal guarantees of the directors of the company, which bears interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in October 2017 and April 2018. The average effective interest rate is 6.18% per annum.

- Term loan of RMB2,063,000 or $398,000 equivalent (2018: RMB2,813,000 or $558,000 equivalent), bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in October 2018. The effective interest rate is 6.18% per annum.

- Term loan of RMB5,000,000 or $966,000 equivalent bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The bank loan is repayable in 9 instalments with the first repayment instalment commencing in August 2020. The effective interest rate is 6.18% per annum.

- Term loan of RMB2,000,000 or $396,000 equivalent was secured by an immediate and ultimate holding company, pledge of the company's intangible asset and personal guarantees of the directors of the company, bearing an effective interest rate of 5.66% per annum. The term loan was fully repaid during the year.

(c) Unsecured RMB term loans comprising:

- Unsecured RMB term loan of RMB2,000,000 or $386,000 equivalent is unsecured, bears interest at 4.50% per annum and is repayable on 15 July 2020.

- Unsecured RMB term loan of RMB1,000,000 or $193,000 equivalent is unsecured, bears interest at 4.50% per annum and is repayable on 8 January 2020.

(d) Secured SGD term loans of $10,392,000 (2018: $11,052,000) undertaken by a subsidiary to finance the expansion of its 2-storey industrial warehouse cum office at 52 Tuas Avenue 9, Singapore 639193. The loan bears floating interest at 1.50% (2018: 1.50%) per annum above bank swap rate and is repayable in equal instalments over 20 years from the date of draw down.

(e) Unsecured SGD Term Loan of $1,648,000 (2018: $200,000) was drawn by the Company during the year. The loans bear fixed interest rate ranging from 3.58% to 4.88% (2018: 3.99%) per annum. This amount is repayable from January 2020 to October 2021.

(f) Secured USD term loans comprising:

- Property loan of US$3,255,000 or $4,392,000 equivalent (2018: US$3,509,000 or $4,784,000) undertaken by a subsidiary to finance the purchase of a piece of vacant land for the construction of a factory building in Penang, Malaysia. The loan bears floating interest at 1.75% (2018: 1.75%) per annum above bank cost of funds and is repayable in 39 quarterly instalments from date of draw down and 1 final balloon instalment.

- Revolving loans of US$1,900,000 or $2,563,000 equivalent (2018: US$1,900,000 or $2,590,000), which bears fixed interest ranging from 3.77% to 4.64% (2018: 3.12% to 3.35%) per annum and secured by a corporate guarantee from the holding company.

Notes to the Financial Statements

For the financial year ended 31 December 2019

28. LOANS AND BORROWINGS (cont'd)

Government loans

The government loans comprise:

(a) A government loan of RMB2,000,000 or $386,000 equivalent (2018: RMB2,000,000 or $397,000 equivalent) granted to a subsidiary of the Group to finance the construction of the wastewater plant. The loan is unsecured, non-interest bearing and repayable by December 2021.

(b) A government loan of KRW170,000,000 or $198,000 (2018: KRW100,000,000 or $122,000) granted to a subsidiary of the Group to finance working capital. The loan is unsecured, non-interest bearing and repayable by December 2022.

(c) A government loan of RMB5,000,000 or $991,000 equivalent was granted to a subsidiary of the Group to finance the construction of the industrial wastewater plant. The loan is unsecured, non-interest bearing and was fully repaid during the year.

Finance lease obligations

Future minimum lease payments under finance lease together with the present value of the net minimum lease payment are as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	31.12.2019 $'000	31.12.2018 $'000	31.12.2019 $'000	31.12.2018 $'000
Amounts payable under finance leases:				
– Within one year	–	48	–	43
– In the second to fifth year inclusive	–	80	–	75
	–	128	–	118
Less: Future finance charges	–	(10)	–	–
Present value of lease obligations	–	118	–	118
Less: Amount due to be paid within 12 months			–	(43)
Amount due to be paid after 12 months			–	75

In the previous financial year, the Group leases certain of its plant and equipment under finance leases. The period of these finance leases ranges from 1 to 3 years. For the year ended 31 December 2018, the average effective interest rate in respect of these finance leases ranges from 1.38% to 4.78% per annum. Lease terms do not contain restrictions, concerning dividends, additional debts or further leasing. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates their carrying amounts.

Bills payables

Bills payables are repayable between 3 to 6 months from the date the bills are first issued. The carrying amounts of the bills payables approximate their fair value due to the short-term maturity. During the year ended 31 December 2019, the bills payables carry interests at rates ranging from 1.75% to 4.59% (2018: 2.82% to 4.69%) per annum.

The Company provides corporate guarantees to banks in respect of the bills payables amounting to $7,577,000 (2018: $8,696,000) owing by subsidiaries.

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

	Group	
	31.12.2019 $'000	31.12.2018 $'000
United States dollars	**3,299**	2,703

Notes to the Financial Statements
For the financial year ended 31 December 2019

28. LOANS AND BORROWINGS (cont'd)

Undrawn committed borrowing facilities

As at 31 December 2019, the Group has available undrawn committed borrowing facilities of $26,396,000 (2018: $23,010,000).

Effective interest rates

	Effective interest rate 31.12.2019 %	31.12.2018 %
Bank loans:		
– Revolving SGD loan facilities	**2.89% – 3.20%**	2.89% – 3.75%
– Secured SGD term loans	**3.10%**	2.65%
– Secured RMB term loans	**5.66% – 6.18%**	5.66% – 6.18%
– Secured USD term loans	**3.77% – 4.64%**	3.98% – 4.14%
– Unsecured SGD term loans	**3.58% – 4.88%**	3.99%
Other loans and borrowings:		
Bills payables – for trade purpose	**1.75% – 4.59%**	2.82% – 4.69%

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

	1.1.2019 $'000	Cash flows $'000	Non-cash changes New leases $'000	Foreign exchange movement $'000	Accretion of interests $'000	Other $'000	31.12.2019 $'000
Bank loans							
– current	**6,037**	**(22)**	**–**	**(160)**	**–**	**1,786**	**7,641**
– non-current	**16,078**	**955**	**–**	**22**	**–**	**(1,786)**	**15,269**
Government loans							
– current	**991**	**(957)**	**–**	**(24)**	**–**	**–**	**10**
– non-current	**519**	**71**	**–**	**(16)**	**–**	**–**	**574**
Lease liabilities (Note 12)							
– current	**118**	**(260)**	**15**	**–**	**144**	**111**	**128**
– non-current	**2,876**	**–**	**55**	**(3)**	**–**	**(111)**	**2,817**
Amount due to associates	**2,646**	**(2,387)**	**–**	**–**	**–**	**–**	**259**
Total	**29,265**	**(2,600)**	**70**	**(181)**	**144**	**–**	**26,698**

	1.1.2018 $'000	Cash flows $'000	Non-cash changes New leases $'000	Foreign exchange movement $'000	Accretion of interests $'000	Other $'000	31.12.2018 $'000
Bank loans							
– current	6,257	(1,949)	–	(71)	–	1,800	6,037
– non-current	15,862	1,888	–	128	–	(1,800)	16,078
Government loans							
– current	616	–	–	(23)	–	398	991
– non-current	947	–	–	(30)	–	(398)	519
Obligations under finance leases							
– current	58	(67)	15	(11)	–	48	43
– non-current	40	–	79	4	–	(48)	75
Amount due to associates	3,381	(735)	–	–	–	–	2,646
Total	27,161	(863)	94	(3)	–	–	26,389

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

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For the financial year ended 31 December 2019

29. FINANCE DERIVATIVES ASSETS/(LIABILITIES)

	31.12.2019		31.12.2018		
	Contract/ Notional amount $'000	(Liabilities) $'000	Contract/ Notional amount $'000	Assets $'000	(Liabilities) $'000
Non-current:					
Interest rate swaps	**–**	**–**	4,179	–	(12)
Current:					
Interest rate swaps	**4,179**	**(4)**	5,000	1	–

The interest rate swaps receive floating interest equal to SIBOR + 1.50% (2018: SIBOR + 1.50%) per annum, pay a fixed rate of interest ranging from 2.94% to 3.46% (2018: 3.00% to 3.45%) per annum and mature in March 2020 (2018: January 2019 and March 2020). During the financial year, the fair value gain of $7,000 (2018: $38,000) has been recognised under the "Other operating income" line item in the consolidated income statement.

30. DEFERRED GOVERNMENT GRANTS

These are grants received from the government of the PRC for the improvements and upgrading of the wastewater treatment plants built and operated by the Group. These grants will be recognised in the income statement on a systematic basis over respective concession periods of 30 to 50 years.

	Group	
	2019 $'000	2018 $'000
At 1 January	**1,703**	1,835
Less: Amortisation of government grant	**(67)**	(70)
Exchange differences	**(45)**	(62)
At 31 December	**1,591**	1,703

31. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	Group			
	Balance sheet		Net change in income statement	
	31.12.2019 $'000	31.12.2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities:				
Undistributed earnings of associates	**(229)**	(229)	**–**	–
Unrealised profits	**(128)**	(200)	**(72)**	2
Fair value adjustments on acquisition of subsidiary (Note 15)	**(853)**	–	**–**	–
Exchange differences	**5**	6		
	(1,205)	(423)		
Deferred tax assets:				
Provisions	**3**	4	**1**	(4)
Deferred tax expense (Note 9)			**(71)**	(2)

Notes to the Financial Statements

For the financial year ended 31 December 2019

31. DEFERRED TAX (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: $nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $13,686,000 (2018: $6,744,000). The deferred tax liability is estimated to be approximately $684,000 (2018: $339,000).

32. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	31.12.2019		31.12.2018	
	No. of ordinary shares '000	$'000	No. of ordinary shares '000	$'000
Issued and paid-up:				
At 1 January	**248,973**	**36,131**	248,973	36,131
Shares issued during the year	**43,760**	**2,844**	–	–
Share issuance expenses	**–**	**(199)**	–	–
At 31 December	**292,733**	**38,776**	292,973	36,131

During the year, the Company allotted and issued approximately 43,760,000 ordinary shares at $0.065 per share for an aggregate cash consideration of $2,844,000 pursuant to a Rights Issue exercise.

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

(b) Treasury shares

	Group and Company			
	31.12.2019		31.12.2018	
	No. of ordinary shares '000	$'000	No. of ordinary shares '000	$'000
At 1 January	**(4,202)**	**(470)**	(1,841)	(216)
Acquired during the financial year	**–**	**–**	(2,361)	(254)
At 31 December	**(4,202)**	**(470)**	(4,202)	(470)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

In the previous financial year, the Company acquired 520,000 shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $254,000 and this was presented as a component within shareholders' equity.

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2019	**2018**
	$'000	**$'000**
		(Restated)
At 1 January	**(299)**	279
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(734)**	(578)
At 31 December	**(1,033)**	(299)

34. STATUTORY RESERVE FUND

Under the present laws and regulations in the PRC, every company incorporated in PRC is required to make appropriations calculated at 10% of its profit after income tax from the retained earnings to the reserve fund every year until the accumulated balance in the reserve fund reaches 50% of the registered capital of that company. Further, every company in PRC is also required to make appropriations at the rates determined by its board of directors from its retained earnings to the enterprise expansion fund every year.

The statutory reserve fund may be used to cover losses incurred by the PRC companies and to increase its capital for the expansion of its production capacity. The enterprise expansion fund may be used to increase the capital of the company subject to approval from the relevant government authorities.

35. EMPLOYEE SHARE OPTION RESERVE

	Group and Company	
	2019	**2018**
	$'000	**$'000**
At 1 January	**580**	785
Cancelled/lapsed	**(57)**	(205)
At 31 December	**523**	580

Equity-settled share option scheme

The Company has two share option schemes for its non-executive directors and qualifying employees including directors. The schemes are administered by the Remuneration Committee which has the discretion to fix the exercise price for the options at a discount not exceeding 20% to the average of the closing price of the Company's shares for the last three trading days prior to the date of the grant ("average market price").

(a) ***Market price options***

Options with subscription prices which are equal to the market price (the "Market price options") granted to employees may be exercised one year after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director.

Notes to the Financial Statements

For the financial year ended 31 December 2019

35. EMPLOYEE SHARE OPTION RESERVE (cont'd)

Equity-settled share option scheme (cont'd)

(b) ***Discounted options***

Options with subscription prices which represent a discount to the market price (the "Discounted options") may be exercised two years after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director. There have been no cancellation or modification to the share option plan during both 2019 and 2018.

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	Group and Company			
	2019		2018	
	No. of share options	WAEP $	No. of share options	WAEP $
Outstanding at 1 January	**10,632,000**	**0.083**	13,109,000	0.096
Granted	**2,395,500**	**0.067**	–	–
Forfeited	**(1,050,000)**	**0.067**	(2,477,000)	0.149
Outstanding at 31 December	**11,977,500**	**0.067**	10,632,000	0.083
Exercisable at 31 December	**11,977,500**	**0.067**	10,632,000	0.083

– No share options were exercised during the year.

– The options outstanding at the end of the year have a weighted average remaining contractual life of 3.79 years (2018: 4.79 years).

– The exercise price for options outstanding at the end of the year was $0.067 (2018: $0.083).

– There are no share-based payment expense recognised during the financial year ended 31 December 2019 and 2018.

36. DIVIDENDS

	Group and Company	
	31.12.2019 $'000	31.12.2018 $'000
Declared and paid during the year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2019: nil (2018: 0.2) cent per share	**–**	493
Proposed but not recognised as liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at AGM		
– Final exempt (one-tier) dividend for 2019: 0.3 (2018: nil) cent per share	**866**	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

37. RELATED PARTIES TRANSACTIONS

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019	**2018**
Engage of legal services from a firm related to a director	**2**	2
Purchase of goods from a related party	**108**	335

Purchases of goods from a related party was made at market price discounted to reflect the quantity of goods purchased.

The Group has engaged Lee Bon Leong & Co., a firm of which one of the independent directors is the Senior Partner of the firm, for the provision of legal services in relation to the Group's affairs.

(b) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	**2,671**	2,245
Central Provident Fund contributions	**162**	161
Directors' fees	**83**	100
	2,916	2,506
Comprise amounts paid to:		
– Directors of the Company	**1,466**	1,044
– Other key management personnel	**1,450**	1,462
	2,916	2,506

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

Directors' interests in employee share option

At the end of the reporting period, the total number of outstanding share options granted by the Company to the above-mentioned directors under the share option plan amounted to 3,475,000 (2018: 2,780,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

38. COMMITMENTS

Operating lease commitment – as lessee

The Group has entered into commercial property leases on certain properties and land rental. The lease has an average tenure of between 1 and 24 years with no renewal option or contingent rent provision included in the contracts. The Group is restricted from subleasing the leased properties and leasehold lands to third parties.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $212,000.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group 2018 $'000
Not later than one year	191
Later than one year but not later than five years	765
Later than five years	3,620
	4,576

39. CORPORATE GUARANTEE – COMPANY LEVEL

The Company has issued corporate guarantees to several financial institutions for borrowings granted to certain subsidiaries for $53,266,000 (2018: $53,157,000), of which $29,621,000 (2018: $32,147,000) were utilised at the end of the reporting period.

40. SEGMENT INFORMATION

The following segment information is prepared based on the nature of the principal activities of the Company and its subsidiaries. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. They are segregated primarily into four reporting segments; i.e. distribution of stainless steel piping products; manufacturing of steel flanges; engineering construction of piping process system and environmental business. Except as indicated above, no operating segments have been aggregated to form the above reportable segments.

Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on an arms' length basis in the manner similar to transactions with third parties.

Segment revenue and results are the operating revenue and results as reported in the Group's income statement that are directly attributable to a segment and can be allocated on a reasonable basis to that segment.

Segment assets include all operating assets used by a segment and consist principally of trade receivables, inventories and property, plant and equipment. Capital expenditure includes the total cost incurred to acquire property, plant and equipment and intangible asset which are directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade payables and accruals.

Income from associate and joint venture is allocated to each segment on the basis they are specifically attributable to that segment, and correspondingly the investment in an associate are included as segment assets of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2019

40. SEGMENT INFORMATION (cont'd)

(a) Business segments

	Distribution		Manufacturing of steel flanges		Engineering construction		Environmental business		Elimination		Note	Consolidation	
	2019 $'000	2018 $'000 (Restated)	2019 $'000	2018 $'000 (Restated)	2019 $'000	2018 $'000 (Restated)	2019 $'000	2018 $'000 (Restated)	2019 $'000	2018 $'000 (Restated)		2019 $'000	2018 $'000 (Restated)
Revenue													
External revenue	**29,980**	44,689	**2,845**	2,448	**–**	–	**19,474**	9,629	**–**	–		**52,299**	56,766
Inter-segment revenue	**1,041**	3,284	**3,149**	3,533	**–**	–	**1,380**	174	**(5,570)**	(6,991)	A	**–**	–
Total revenue	**31,021**	47,973	**5,994**	5,981	**–**	–	**20,854**	9,803	**(5,570)**	(6,991)		**52,299**	56,766
Result													
Segment results	**(2,025)**	(1,904)	**145**	293	**(4)**	(66)	**4,452**	1,965	**281**	545	B	**2,849**	833
Share of profits of associates	**–**	–	**–**	–	**–**	–	**778**	1,572	**–**	–		**956**	1,572
Gain on bargain purchase	**–**	–	**–**	–	**–**	–	**1,718**	–	**–**	–		**1,718**	–
Interest income												**37**	41
Finance costs												**(1,418)**	(1,157)
Profit before tax												**4,142**	1,289
Income tax												**(665)**	(326)
Profit for the year												**3,477**	963

Notes to the Financial Statements
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40. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

	Distribution			Manufacturing of steel flanges			Engineering construction			Environmental business			Consolidation		
	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)
Assets															
Segment assets	**45,782**	44,524	45,725	**15,565**	16,545	17,231	**20**	21	129	**50,592**	33,396	31,692	**111,959**	94,486	94,777
Investment in an associate	**–**	–	–	**–**	–	–	**–**	–	–	**10,654**	13,898	12,681	**10,654**	13,898	12,681
Consolidated total assets													**122,613**	108,384	107,458
Liabilities															
Segment liabilities	**12,397**	10,388	9,972	**2,555**	2,706	2,078	**3**	4	6	**13,328**	10,327	9,745	**28,283**	23,425	21,801
Bank loans and government loans	**13,359**	12,425	11,504	**6,955**	7,374	7,742	**–**	–	–	**3,180**	3,826	4,634	**23,494**	23,625	23,880
Consolidated total liabilities													**51,777**	47,050	45,681
Other information															
Depreciation and amortisation	**1,327**	1,212	1,235	**339**	393	413	**–**	–	–	**1,143**	1,175	913	**2,809**	2,780	2,561
Capital expenditure	**127**	203	334	**12**	164	29	**–**	–	–	**5,587**	2,051	4,676	**5,726**	2,418	5,039
Other non-cash expenses	**260**	631	973	**14**	(28)	(116)	**–**	63	–	**115**	(129)	(107)	**389**	537	750

Notes to the Financial Statements
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40. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B The following items are deducted from segment profits to arrive at "profit before tax" presented in the consolidated income statement:

	2019 $'000	2018 $'000
Loss/(profit) from inter-segment sales	**13**	(4)
Unallocated corporate expenses	**268**	549
	281	545

(b) Geographical information

The Group's operations are located in Singapore, South Korea, Malaysia and the PRC. The Group's engineering construction and the distribution of steel products divisions are in Singapore and South Korea while the Group's manufacturing of steel flanges is in Malaysia and environmental business divisions are based in Singapore and the PRC.

The following table provides an analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods or services:

	Group	
	2019 $'000	2018 $'000
By geographical markets:		
Singapore	**16,592**	14,136
Malaysia	**5,214**	5,260
PRC	**16,858**	9,580
India	**4,101**	9,856
Indonesia	**2,257**	1,783
Vietnam	**1,245**	770
South Korea	**3,063**	10,616
Canada	**–**	401
Philippines	**81**	1,278
Others[1]	**2,888**	3,086
	52,299	56,766

(1) Others mainly comprise Australia and Indonesia which individually do not contribute more than 10% of the Group's revenue.

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40. SEGMENT INFORMATION (cont'd)

(b) Geographical information (cont'd)

The following is an analysis of the non-current assets by geographical area in which the assets are located:

	Non-current assets		
	31.12.2019 $'000	31.12.2018 $'000 (Restated)	1.1.2018 $'000 (Restated)
Singapore	**19,625**	19,450	20,742
Malaysia	**10,735**	11,200	11,721
Korea	**53**	23	19
PRC	**43,419**	35,281	33,792
	73,832	65,954	66,274

Non-current assets information presented above consists of property, plant and equipment, right-of-use assets, land use rights, goodwill, intangible assets, investment in associates, investment securities, club membership, refundable deposits, financial derivative assets and deferred tax assets as presented in the consolidated balance sheet.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Executive Director. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

Notes to the Financial Statements

For the financial year ended 31 December 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2019 and 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

Singapore:

31 December 2019	Current $'000	Less than 30 days $'000	30 to 60 days $'000	61 to 90 days $'000	More than 90 days $'000	Total $'000
Gross carrying amount	**1,994**	**964**	**950**	**1,109**	**1,323**	**6,340**
Loss allowance provision	**10**	**7**	**12**	**4**	**664**	**697**

31 December 2018	Current $'000	Less than 30 days $'000	30 to 60 days $'000	61 to 90 days $'000	More than 90 days $'000	Total $'000
Gross carrying amount	2,347	1,384	733	343	1,602	6,409
Loss allowance provision	9	10	7	7	556	589

Other geographical areas:

31 December 2019	Current $'000	Less than 30 days $'000	30 to 60 days $'000	61 to 90 days $'000	More than 90 days $'000	Total $'000
Gross carrying amount	**3,760**	**1,305**	**471**	**317**	**1,132**	**6,985**
Loss allowance provision	**2**	**28**	**11**	**6**	**88**	**135**

31 December 2018	Current $'000	Less than 30 days $'000	30 to 60 days $'000	61 to 90 days $'000	More than 90 days $'000	Total $'000
Gross carrying amount	1,688	912	613	371	1,543	5,127
Loss allowance provision	1	15	7	5	59	87

Information regarding loss allowance movement of trade receivables are disclosed in Note 22.

Concentration risk

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk is limited due to the customer base being large and unrelated. The credit risk on liquid funds is limited because the Group places its cash with reputable financial institutions.

Exposure to credit risk

The extent of the Group's credit exposure is represented by the aggregate carrying amount of cash and bank balances, trade and other receivables and amounts due from associates and a joint venture.

The maximum amount that the Company could be forced to settle under corporate guarantee contracts to the banks in respect of facilities extended to its subsidiaries is $29,621,000 (2018: $32,147,000) (Note 39).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

Notes to the Financial Statements

For the financial year ended 31 December 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Concentration risk

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk is limited due to the customer base being large and unrelated. The credit risk on liquid funds is limited because the Group places its cash with reputable financial institutions.

Exposure to credit risk

The extent of the Group's credit exposure is represented by the aggregate carrying amount of cash and bank balances, trade and other receivables and amounts due from associates and a joint venture.

The maximum amount that the Company could be forced to settle under corporate guarantee contracts to the banks in respect of facilities extended to its subsidiaries is $29,621,000 (2018: $32,147,000) (Note 39).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net) at the balance sheet date is as follows:

	2019		31.12.2018	
	$'000	**% of total**	**$'000**	**% of total**
By country:				
Singapore	**6,472**	**52%**	5,819	54%
Malaysia	**190**	**2%**	556	5%
PRC	**4,843**	**39%**	2,523	23%
Others	**988**	**7%**	1,962	18%
	12,493	**100%**	10,860	100%

There were no customers who represented more than 5% of the total balance of trade receivables.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

Notes to the Financial Statements

For the financial year ended 31 December 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group aims to maintain committed bank facilities prudently in excess of its estimated gross borrowing requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	31.12.2019			
	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Group				
Financial assets:				
Trade and other receivables[1]	17,744	–	–	17,744
Refundable deposits	–	–	853	853
Cash and bank balances	10,989	–	–	10,989
Total undiscounted financial assets	28,733	–	853	29,586
Financial liabilities:				
Trade and other payables and accruals[2]	10,443	28	–	10,471
Lease liabilities	410	807	3,616	4,833
Amounts due to associates	259	–	–	259
Bank loans, bills payables and government loans	15,675	11,044	7,199	33,918
Financial derivative liabilities (net-settled)	4	–	–	4
Total undiscounted financial liabilities	26,791	11,879	10,815	49,485
Total net undiscounted financial assets/ (liabilities)	1,942	(11,879)	(9,962)	(19,899)

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables, deposits and advances from customers and deferred consideration payable.

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	31.12.2018			
	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Group				
Financial assets:				
Trade and other receivables[1]	15,375	–	–	15,375
Refundable deposits	–	–	869	869
Financial derivative assets (net-settled)	1	–	–	1
Cash and bank balances	5,468	–	–	5,468
Total undiscounted financial assets	20,844	–	869	21,713
Financial liabilities:				
Trade and other payables and accruals[2]	8,368	43	–	8,411
Finance leases	48	80	–	128
Amounts due to associates	2,646	–	–	2,646
Bank loans, bills payables and government loans	16,548	8,332	9,565	34,445
Financial derivative liabilities (net-settled)	–	12	–	12
Total undiscounted financial liabilities	27,610	8,467	9,565	45,642
Total net undiscounted financial liabilities	(6,766)	(8,467)	(8,696)	(23,929)

	31.12.2019		
	1 year or less $'000	More than 1 year $'000	Total $'000
Company			
Financial assets:			
Trade and other receivables[1]	**180**	**–**	**180**
Amounts due from subsidiaries	**12,968**	**–**	**12,968**
Cash and bank balances	**2,421**	**–**	**2,421**
Total undiscounted financial assets	**15,569**	**–**	**15,569**
Financial liabilities:			
Other payables and accruals[2]	**994**	**–**	**994**
Amounts due to subsidiaries	**120**	**–**	**120**
Loans and borrowings	**1,549**	**180**	**1,729**
Total undiscounted financial liabilities	**2,663**	**180**	**2,843**
Total net undiscounted financial assets/(liabilities)	**12,906**	**(180)**	**12,726**

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables and deposits and advances from customers.

Notes to the Financial Statements
For the financial year ended 31 December 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	31.12.2018 1 year or less $'000	More than 1 year $'000	Total $'000
Company			
Financial assets:			
Trade and other receivables[1]	120	–	120
Amounts due from subsidiaries	11,435	–	11,435
Cash and bank balances	257	–	257
Total undiscounted financial assets	11,812	–	11,812
Financial liabilities:			
Other payables and accruals[2]	428	–	428
Amounts due to subsidiaries	131	–	131
Loans and borrowings	202	–	202
Total undiscounted financial liabilities	761	–	761
Total net undiscounted financial assets	11,051	–	11,051

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables and deposits and advances from customers.

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	31.12.2019				31.12.2018			
	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Company								
Financial guarantees (Note 39)	**14,524**	**8,730**	**6,367**	**29,621**	16,069	6,946	9,132	32,147

Notes to the Financial Statements

For the financial year ended 31 December 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Foreign currency risk

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk. The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar and Chinese Renminbi against the Singapore dollar. To the extent possible, sales and purchases which are denominated in United States dollar provide natural hedges. The remaining foreign currency exposure is considered limited.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise the economic hedge.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and RMB (against SGD), with all other variables held constant, of the Group's profit net of tax.

			2019 Profit net of tax $'000	2018 Profit net of tax $'000
Group				
USD/SGD	–	strengthened 10% (2018:10%)	**(68)**	(41)
	–	weakened 10% (2018:10%)	**68**	41
RMB/SGD	–	strengthened 10% (2018:10%)	**519**	333
	–	weakened 10% (2018:10%)	**(519)**	(333)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2018: less than 6 months) from the end of the reporting period. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. The Group's policy is to keep 40% to 70% (2018: 40% to 70%) of its loans and borrowings at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 20 (2018: 20) basis points higher/lower with all other variables held constant, the Group's profit before tax would have been $47,000 (2018: $47,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings and government loans. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

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For the financial year ended 31 December 2019

42. FAIR VALUES OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation input used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

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

There have been no transfers of items amongst the level during the financial year ended 31 December 2019 and 2018.

(b) Assets and liabilities measured at fair value

The following tables show an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
31 December 2019				
Group				
Liabilities measured at fair value				
Finance liabilities:				
Deferred consideration payable	–	–	(1,087)	(1,087)
Financial derivative liabilities:				
– Interest rate swaps	–	(4)	–	(4)
Financial liabilities as at 31 December 2019	–	(4)	(1,087)	(1,091)

Notes to the Financial Statements
For the financial year ended 31 December 2019

42. FAIR VALUES OF ASSETS AND LIABILITIES (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
31 December 2018				
Group				
Assets measured at fair value				
Finance assets:				
Financial derivative assets:				
Interest rate swaps	–	1	–	1
Financial assets as at 31 December 2018	–	1	–	1
Liabilities measured at fair value				
Finance liabilities:				
Financial derivative liabilities:				
– Interest rate swaps	–	(12)	–	(12)
Financial liabilities as at 31 December 2018	–	(12)	–	(12)

Deferred consideration payable

The fair value, determined using significant unobservable inputs (level 3), is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. The fair value is similar to the carrying amount as the current market rate does not differ significantly from the intrinsic rate of the deferred consideration payable.

A significant increase (decrease) in the incremental lending rate based on management's assumptions would result in a significantly lower (higher) fair value measurement.

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Finance derivative liabilities

Interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curve.

Notes to the Financial Statements

For the financial year ended 31 December 2019

42. FAIR VALUES OF ASSETS AND LIABILITIES (cont'd)

(d) Assets and liabilities not measured at fair value but for which fair values are disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
31 December 2019				
Group				
Liabilities:				
– Government loans (Note 28)	**–**	**–**	**561**	**561**
– Loans and borrowings (Note 28)	**–**	**–**	**16,270**	**16,270**
– Lease liabilities (Note 12)	**–**	**–**	**2,945**	**2,945**
Financial liabilities as at 31 December 2019	**–**	**–**	**19,776**	**19,776**
31 December 2018				
Group				
Liabilities:				
– Government loans (Note 28)	–	–	1,446	1,446
– Loans and borrowings (Note 28)	–	–	13,684	13,684
– Finance lease obligations (Note 28)	–	–	118	118
Financial liabilities as at 31 December 2018	–	–	15,248	15,248

Notes to the Financial Statements

For the financial year ended 31 December 2019

42. FAIR VALUES OF ASSETS AND LIABILITIES (cont'd)

(d) Assets and liabilities not measured at fair value but for which fair values are disclosed (cont'd)

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
31 December 2019				
Company				
Liabilities:				
– Loans and borrowings (Note 28)	**–**	**–**	**1,506**	**1,506**
Financial liabilities as at 31 December 2019	**–**	**–**	**1,506**	**1,506**
31 December 2018				
Company				
Liabilities:				
– Loans and borrowings (Note 28)	–	–	190	190
Financial liabilities as at 31 December 2018	–	–	190	190

	Group			
	31.12.2019		31.12.2018	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Assets:				
Refundable deposit (Note 20)	**853**	#	869	#
Liabilities:				
Deferred consideration payable (Note 27)	**1,087**	**1,087****	–	–
Government loans (Note 28)	**584**	**561^^**	1,510	1,446^^
Loans and borrowings (Note 28)	**22,910**	**16,270^^**	22,115	13,684^^
Lease liabilities (Note 12)	**2,945**	**2,945##**	–	–
Finance lease obligations (Note 28)	**–**	**–**	118	118##

	Company			
	31.12.2019		31.12.2018	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Liabilities:				
Loans and borrowings (Note 28)	1,648	1,648^^	200	190^^

\# Refundable deposits

It is not practical to estimate the fair value of the non-current refundable deposits as the amounts are not repayable within a year and have no fixed repayment terms. Hence, the timing of future cash flows cannot be estimated reliably.

^^ Government loans and loans and borrowings

The fair value, determined using significant unobservable inputs (level 3), is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

Notes to the Financial Statements

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42. FAIR VALUES OF ASSETS AND LIABILITIES (cont'd)

(d) Assets and liabilities not measured at fair value but for which fair values are disclosed (cont'd)

Lease liabilities and finance lease obligations

The fair value, determined using significant unobservable inputs (level 3), is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. The fair value is similar to the carrying amount as the current market rate does not differ significantly from the intrinsic rate of the deferred consideration payable.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

Group	Note	Loans and receivables $'000	Liabilities at amortised cost $'000	Others $'000	Total $'000
31 December 2019					
Assets:					
Refundable deposits	20	**853**	**–**	**–**	**853**
Trade and other receivables[1]	22	**17,744**	**–**	**–**	**17,744**
Cash and bank balances	24	**10,989**	**–**	**–**	**10,989**
Total		**29,586**	**–**	**–**	**29,586**
Liabilities:					
Trade payables	26	**–**	**3,115**	**–**	**3,115**
Other payables and accruals[2]	27	**–**	**7,356**	**–**	**7,356**
Amount due to associates	23	**–**	**259**	**–**	**259**
Loans and borrowings	28	**–**	**31,071**	**–**	**31,071**
Lease liabilities	12	**–**	**–**	**2,945**	**2,945**
Financial derivative liabilities	29	**–**	**4**	**–**	**4**
Total		**–**	**41,805**	**2,945**	**44,750**
31 December 2018					
Assets:					
Refundable deposits	20	869	–	–	869
Trade and other receivables[1]	22	15,375	–	–	15,375
Financial derivative assets	29	1	–	–	1
Cash and bank balances	24	5,468	–	–	5,468
Total		21,713	–	–	21,713
Liabilities:					
Trade payables	26	–	2,627	–	2,627
Other payables and accruals[2]	27	–	5,784	–	5,784
Amount due to associates	23	–	2,646	–	2,646
Loans and borrowings	28	–	32,321	118	32,439
Financial derivative liabilities	29	–	12	–	12
Total		–	43,508	118	43,508

(1) Exclude GST receivables and advances to suppliers.

(2) Exclude GST payables, deposits and advances from customers and deferred consideration payable.

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For the financial year ended 31 December 2019

43. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

Company	Note	Loans and receivables $'000	Liabilities at amortised cost $'000	Total $'000
31 December 2019				
Assets:				
Trade and other receivables[1]	22	**180**	**–**	**180**
Amounts due from subsidiaries	23	**12,968**	**–**	**12,968**
Cash and bank balances	24	**2,421**	**–**	**2,421**
Total		**15,569**	**–**	**15,569**
Liabilities:				
Amounts due to subsidiaries	23	**–**	**120**	**120**
Other payables and accruals[2]	27	**–**	**994**	**994**
Loans and borrowings	28	**–**	**1,648**	**1,648**
Total		**–**	**2,762**	**2,762**

Company	Note	Loans and receivables $'000	Liabilities at amortised cost $'000	Total $'000
31 December 2018				
Assets:				
Trade and other receivables[1]	22	120	–	120
Amounts due from subsidiaries	23	11,435	–	11,435
Cash and bank balances	24	257	–	257
Total		11,812	–	11,812
Liabilities:				
Amounts due to subsidiaries	23	–	131	131
Other payables and accruals[2]	27	–	428	428
Loans and borrowings	28	–	200	200
Total		–	759	759

(1) Exclude GST receivables.

(2) Exclude GST payables.

Notes to the Financial Statements

For the financial year ended 31 December 2019

44. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into several service concession arrangements within certain governing bodies and agencies of the PRC government to construct and operate wastewater treatment plants.

Group	Construction revenue $'000	Operating income of wastewater treatment plants $'000	Total service concession revenue $'000
For financial year ended 31 December 2019	**5,539**	**8,007**	**13,546**
For financial year ended 31 December 2018	1,992	5,657	7,649

The revenue recognised in relation to construction represents the fair value of the construction services provided in constructing the wastewater treatment plants.

The details of service concession arrangements are as follows:

Name of subsidiary	Plant type	Type and period of concession
ChangXing AW	Wastewater treatment plant	Build–Operate–Transfer ("BOT"), 30 years
LJX	Wastewater treatment plant	BOT, 30 years
CX Annyi	Wastewater treatment plant	BOT, 30 years
CX Hengyi	Wastewater treatment plant	BOT, 30 years
Shuanglin	Wastewater treatment plant	BOT, 25 years
CX Linyi	Wastewater treatment plant	Build–Operate–Own ("BOO"), 30 years
CX LinSheng	Wastewater treatment plant	BOO, 50 years
CX WuSheng	Wastewater treatment plant	BOO, 50 years

The subsidiaries are required to hand back these respective plants and other related facilities under the BOT arrangements to the respective local municipal government body/agency at the end of the respective concession periods without any consideration.

Subject to the approval of the local municipal government, the various concession arrangements allow for tariff adjustment based on the increases in key operating costs, overall adjustment of water tariff rates in the region where the plants operate, and the government policies regarding the management of water resources.

45. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to stockholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes borrowings as disclosed in Notes 28 and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 32 to 35.

Management reviews the capital structure of the Company on a yearly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group maintains the capital requirements and complies with the financial covenants within the range imposed by various banks for the borrowings extended to the Group.

The Group's overall strategy for 2019 has remained unchanged from 2018.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2019, total liabilities and total equity are $51,777,000 (2018: $47,050,000) and $70,836,000 (2018: $61,334,000) respectively. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2019, the Group's gearing ratio was 0.73 (2018: 0.77).

Notes to the Financial Statements

For the financial year ended 31 December 2019

46. COMPARATIVE FIGURES AND PRIOR YEAR ADJUSTMENTS

In 2019, the Group has appointed EY Chengdu Huaming LLP, Chengdu branch to audit Shanghai Onway Environmental Development Co., Ltd, so as to remove the qualified opinion in prior years. Upon the completion of the audit, the associate has restated the profit after tax due to cut off errors for both sales and purchases, discounting of long term receivables and the corresponding tax impact. The Group has adjusted the share of profits due to the above.

The comparative amount included on in the financial statements have been adjusted to correct the error.

	As previously reported $'000	Adjustments $'000	As restated $'000
31 December 2018			
Group			
Balance sheet			
Investment in associates	13,838	60	13,898
Statement of changes in equity			
Retained earnings	18,421	(145)	18,276
Foreign currency translation reserve	(504)	205	(299)
Consolidated income statement/consolidated cash flow statement			
Share of profits of associates	1,964	(392)	1,572
Profit before tax	1,681	(392)	1,289

	As previously reported $'000	Adjustments $'000	As restated $'000
1 January 2018			
Group			
Balance sheet			
Investment in associates	12,441	240	12,681
Statement of changes in equity			
Retained earnings	18,242	247	18,489
Foreign currency translation reserve	286	(7)	279

47. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020.

Statistics of Shareholdings

As at 17 March 2020

SHAREHOLDERS' INFORMATION

Number of Equity Securities	:	**288,530,874***
Class of Equity Securities	:	**Ordinary shares**
Voting Rights	:	**One vote per share**

* Excluding non-voting 4,202,100 treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	8	0.65	287	0.00
100 – 1,000	37	3.02	24,700	0.01
1,001 – 10,000	338	27.57	2,315,600	0.80
10,001 – 1,000,000	814	66.39	67,075,119	23.25
1,000,001 AND ABOVE	29	2.37	219,115,168	75.94
TOTAL	**1,226**	**100.00**	**288,530,874**	**100.00**

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Indirect Interest	%
Ow Chin Seng(1)	92,953,697	32.22	14,343,655	4.97
Low Kheng(1)	14,343,655	4.97	92,953,697	32.22
Lian Lay Kheng(2)	6,516,900	2.25	11,815,950	4.10
Low Sim Yam(2)	11,815,950	4.10	6,516,900	2.25

(1) Ow Chin Seng and Low Kheng are husband and wife.
(2) Lian Lay Kheng and Low Sim Yam are husband and wife.

Statistics of Shareholdings

As at 17 March 2020

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	111,310,600	38.58
2	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,960,950	6.57
3	LOW KHENG	14,343,655	4.97
4	LIM CHIN KEONG	6,852,175	2.37
5	LIAN LAY KHENG	6,516,900	2.25
6	OW CHIN SENG	5,453,697	1.89
7	HONG LEONG FINANCE NOMINEES PTE LTD	4,641,100	1.61
8	SEOW ZI-HUA	4,577,500	1.59
9	LEE TECK LEONG	4,376,000	1.52
10	DBS NOMINEES (PRIVATE) LIMITED	4,254,600	1.47
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,243,400	1.47
12	PHILLIP SECURITIES PTE LTD	3,993,800	1.38
13	CHEE KIT LENG	3,330,646	1.15
14	EE KIM CHUAN @ YEE KIM CHUAN	2,786,500	0.97
15	EVE PHUA SIN YEE (PAN XINYI)	2,664,000	0.92
16	KWEK GEOK YONG	2,417,000	0.84
17	KWA CHING TZE	2,000,000	0.69
18	NG THENG LOCK	1,962,309	0.68
19	ANG MONG AIANG OR ANG THONG HUANG (HONG ZHONGHAN)	1,650,000	0.57
20	YAP KOK VEE	1,635,000	0.57
	TOTAL	**207,969,832**	**72.06**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 53.22% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

TREASURY SHARES

Total number of ordinary shares held in Treasury	:	4,202,100
Voting rights	:	None
Percentage of this shareholding against total number of issued shares excluding Treasury Shares	:	1.46%

Company has nil subsidiary holdings as at 31 December 2019 (31 December 2018: nil).

Statistics of Warrantholdings

As at 17 March 2020

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	11	8.73	7,161	0.02
1,001 – 10,000	47	37.30	229,200	0.52
10,001 – 1,000,000	60	47.62	7,221,568	16.50
1,000,001 AND ABOVE	8	6.35	36,302,045	82.96
TOTAL	**126**	**100.00**	**43,759,974**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	19,101,575	43.65
2	LOW KHENG	6,068,731	13.87
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,989,850	9.12
4	LIAN LAY KHENG	2,172,300	4.96
5	LOW SIM YAM	1,469,325	3.36
6	LEE TAT KWONG (LI DAGUANG)	1,262,525	2.89
7	PHILLIP SECURITIES PTE LTD	1,147,000	2.62
8	OW CHIN SENG	1,090,739	2.49
9	SEOW ZI-HUA	915,500	2.09
10	NG KIM KEANG	770,000	1.76
11	DBS NOMINEES (PRIVATE) LIMITED	558,000	1.28
12	EE KIM CHUAN @ YEE KIM CHUAN	557,300	1.27
13	GOH GUAN SIONG (WU YUANXIANG)	507,100	1.16
14	LIM CHIN KEONG	355,875	0.81
15	LIAN BEE METAL PTE LTD	302,675	0.69
16	KHOO SWEE KWANG	300,000	0.69
17	TAN AH MUI	200,000	0.46
18	PEH CHOON CHIEH (BAI JUNJIE)	183,591	0.42
19	CHEE YEOK YIN	174,100	0.40
20	LIM LU SUAN	142,500	0.33
	TOTAL	**41,268,686**	**94.32**

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