ANNICA HOLDINGS LIMITED

ANNUAL REPORT
2019

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

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All $ in this Annual Report refers to Singapore Dollars unless otherwise specified.

CONTENT

LETTER TO SHAREHOLDERS

Dear Shareholders,

When we originally contemplated on writing this letter, we hoped to describe our achievements in 2019. Since then, the COVID-19 pandemic has continued to worsen, and has disrupted and altered our world as we know it, presenting an unprecedented medical, economic and human challenge. The implications of the pandemic for the global economy and for our clients, employees and shareholders are profound, and will continue to reverberate for years to come.

Thankfully, 2019 has been an eventful year for Annica as we have achieved multiple significant milestones in our ongoing journey of diversification, with particular focus placed on developing our renewable energy and green technology businesses. Following extensive testing of our first solar hydrogen power module in 2019, the power module has since been delivered to the pilot study site at the Long Loyang Clinic in Sarawak and is slated for piloting in the second quarter of 2020. In addition, we have also signed non-binding Memorandum of Understanding ("**MoU**") with Perbadanan Kemajuan Negeri Perak (Perak State Development Corporation, "**PKNP**") for the development of large scale solar photovoltaic projects and also for the supply of natural resources from Perak.

With all these being said, we believe that we have proven ourselves to be able to thrive despite challenges faced such as the current economic situation.

It is also our belief that the Malaysian government's recent economic stimulus package in response to the COVID-19 global pandemic, which includes an acceleration of renewable energy projects in line with the Malaysian government's unwavering commitment in meeting its renewable energy mix target of 20% by 2025, would be the major catalyst in opening up more opportunities especially for renewable energy players like Annica, which in turn will directly enhance Annica's prospects in the long run. Despite the recent political developments in Malaysia coupled with the COVID-19 pandemic situation, we remain convinced that the new government will continue its efforts in respect of its renewable energy targets. We are truly excited about the future of the Group in the next 5 years to come.

OUR PERFORMANCE

We wish to announce that Annica has continued to improve steadily in its performance. This is attributable to our continued efforts in enhancing and expanding our service offerings and geographical markets in our existing businesses.

In 2019, Annica has demonstrated its capability to maintain its growth momentum even though its general economic performance for 2019 was disappointing. Annica's business segments, namely Oil & Gas Equipment ("**O&G Equipment**") and Engineering Services ("**Engineering Services**"), have delivered a very respectable growth as compared to the financial year ended 31 December 2018 ("**FY2018**").

The improved results achieved in the financial year ended 31 December 2019 ("**FY2019**"), which saw the Group posting revenues of $9.1 million a 49% increase from $6.1 million in FY2018, were mainly due to certain orders which were delayed in the preceding period and which were later recognised in the current financial year under review.

Both O&G Equipment and Engineering Services accounted for the Group's total revenue in FY2019. On the other hand, our Renewable Energy and Green Technology segment has made meaningful progress in the commercialisation of its projects although it has not recorded any revenue during this period. Overall, our gross margin has improved to 39% in FY2019 as compared to 34% in FY2018. Meanwhile, due to improved results of our business segments coupled with our ongoing cost streamlining, our loss for FY2019 narrowed to $0.4 million as compared to $3.9 million in the preceding year.

I also would like to take the opportunity to inform stakeholders of the following developments:

O&G Equipment

Despite operating in a highly competitive environment, our O&G Equipment business segment continued to improve its operating margins on the back of strong revenue growth from all our business units under this segment. As part of our continued efforts to broaden the revenue base of our O&G Equipment business segment, we will be establishing our second The Pipe Line Development Company ("**PLIDCO**") authorised service centre in Indonesia in the financial year ended 31 December 2020 ("**FY2020**") following the commencement of our first such centre in Brunei during FY2019. In addition, P.J. Services Pte Ltd ("**PJS**"), a wholly-owned subsidiary of the Company, had entered into a non-binding MoU with PKNP on 18 June 2019 whereby PKNP shall endeavour to enter into supply contracts with PJS and its customers, under which PKNP shall source for and supply natural resources to PJS's customers.

Engineering Services

This sector was impacted by adverse market conditions arising from increasing trade protectionism. Despite these challenging market conditions, our Engineering Services segment managed to secure several contracts in FY2019 and this segment will be integral to the Group as it continues to develop its traditional markets in FY2020. Meanwhile, similar to the efforts undertaken to broaden the revenue base of the O&G Equipment segment, our Engineering Services business segment has also expanded its service offerings to include the provision of technical consultancy services to international oil and gas-related manufacturers based in Vietnam, China and Malaysia. In addition, the Company's wholly-owned subsidiary, Industrial Engineering Systems Pte. Ltd. ("**IES**"), has incorporated a further wholly-owned subsidiary in Malaysia, IES Engineering Systems Sdn. Bhd. ("**IESM**"), during the year to mainly provide process and industrial plant engineering design, consultancy services and engage in the wholesale trade of a variety of goods without a dominant product. IES is a control systems integrator that specialises in the supply, design and engineering, manufacturing, assembly, testing and commissioning of custom-made solutions for offshore industries. IESM will act as the local arm of IES for the supply and installation of these solutions, and also to provide better sales and after sales services, to our clients in Malaysia.

Renewable Energy and Green Technology

Our subsidiary, HT Energy (S) Sdn. Bhd. ("**HTES**") has obtained the consent of the Ministry of Health, Malaysia to undertake a pilot project in the Long Loyang Clinic based in Sarawak, Malaysia to provide reliable, clean and affordable electricity access to rural clinics based on a solar and hydrogen energy system (the "**Rural Electrification Project**"). After undergoing Factory Acceptance Tests ("**FATs**") in 2019, the pilot power module was eventually completed towards the end of August 2019. The pilot power module arrived at the pilot project site in mid-February 2020 after obtaining clearance from the Malaysian customs authority and the passing of adverse weather conditions which had rendered passage to the site inaccessible for vehicular transport. While wet weather conditions at the site continue to persist resulting in installation delays, and despite the recent movement control order implemented by the government of Malaysia, we are working towards Q2 2020 to commence the pilot study. Upon successful implementation, it is envisioned that the pilot project will serve as a benchmark for future projects to serve rural communities. Meanwhile, our wholly-owned subsidiary, Cahya Suria Energy Sdn. Bhd. ("**CSE**"), had entered into a non-binding tripartite MoU with PKNP and Majuperak Holdings Berhad on 18 June 2019 to collaborate on the development of 'Large Scale Solar Photovoltaic' Projects ("**LSS Projects**") in the State of Perak. The respective parties have identified an initial site suitable for a proposed 35MW capacity LSS Project (approximately 3.3 acres/MW), and will continue to collaborate in the future to identify and evaluate other potential sites for the development of other LSS Projects.

In line with our strategic focus on the renewable energy and green technology, the Group had, on 25 June 2019, obtained control over the financial and operating policies of HTES through the control of HTES's board of directors, and is consolidating HTES's financial results as one of the Company's subsidiaries.

As in the preceding year, the Group continued to improve its balance sheet in FY2019, reducing its overall liabilities from $5.2 million in FY2018 to $5.1 million in FY2019, while net assets improved from $4.2 million to $4.4 million over the same period – thereby putting itself in a better position to take advantage of future potential business opportunities.

OUR PROSPECTS

We expect that the growing significance of sustainable energy in Malaysia and globally will continue to increase our potential growth prospects in the future. This is bolstered by the latest economic stimulus package implemented by the government of Malaysia in response to the COVID-19 global pandemic as it provides a more defined roadmap for green and renewable energy liberalisation and expansion in Malaysia. At the same time, there are potentially more new tenders on renewable energy from Brunei and Thailand, which we are keen to participate in.

For FY2020, the Group remains cautious in the near term as the South East Asian market, within which the Group operates, is anticipated to be volatile in light of the uncertainty caused by macroeconomic events such as the potentially significant economic fallout from the COVID-19 global pandemic and trade protectionism amongst the world's major economies, which may adversely affect the Group's businesses. In addition, Malaysia (being the Group's key geographical market), has undergone a change in government recently, and the Group remains fully alert to any potential policy changes that may arise as a result. While recognising the aforementioned challenges, the Group remains confident that its planned diversification into the renewable sector will achieve sustainable performance in the near future. We also believe that, upon success of our pilot project at the Long Loyang Clinic, further rollout of our hydrogen-based energy storage systems will gain traction in the rural electrification markets especially in East Malaysia. While we continue to monitor closely the development of the COVID-19 pandemic, we remain confident in the growth opportunities in all our business segments, and we will continue to invest in our business so as to ensure that we are strongly positioned for the expected recovery in the global economy.

LETTER TO SHAREHOLDERS

ACKNOWLEDGEMENTS

Firstly, we would like to take this opportunity to welcome Tan Sri Zulkefli Ahmad Makinudin and Mr. Shamsol Jeffri to the Board during the year. Tan Sri Zulkefli Ahmad Makinudin, our Non-Executive Chairman, has had an illustrious career spanning more than 20 years in the Malaysian judiciary system. Meanwhile, Mr. Shamsol Jeffri, who is serving as a Non-Independent Non-Executive Director, is an established town planner and businessman with more than 25 years of experience in multi-disciplinary town planning. Both gentlemen add to the depth of our Board with their extensive experience and knowledge in their respective fields.

Secondly, on behalf of the Board of Directors, we would like to express my heartfelt appreciation to Annica's staff for their continuous endeavours and exemplary involvements throughout FY2019. Their profound contribution is crucial to the substantial progress of the company. On top of that, we would also like to record our highest gratitude to our Management team for their visionary leadership, diligence and excellent execution for the Group's continued progress.

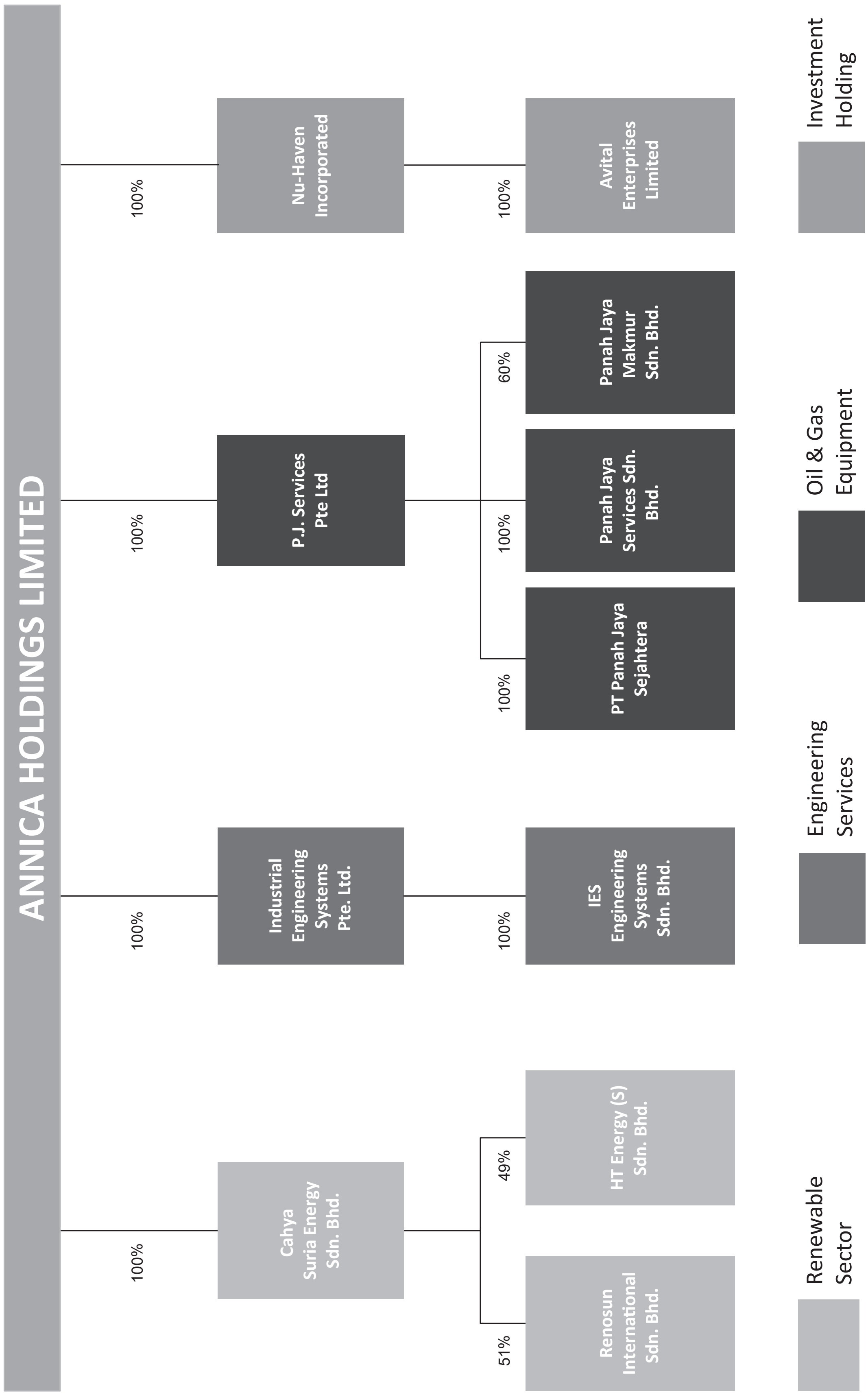
Last but not the least, we would like to acknowledge our shareholders for their unwavering trust as well as our business partners who have stood by us during this challenging period of transformation for the Group. We look forward to your continued support for the future as we work towards bringing the Group to greater heights and embracing further opportunities in FY2020. Amidst these uncertain and challenging times, please do all you can to stay healthy and safe.

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin
Independent and Non-Executive Chairman

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

13 April 2020

CORPORATE STRUCTURE



FINANCIAL REVIEW

COMPREHENSIVE INCOME

During the financial year ended 31 December 2019 ("**FY2019**"), the Group posted total revenues of $9.1 million, a 49% improvement over the preceding year, with our primary business segments of Oil and Gas Equipment and Engineering Services contributing 84% and 16% respectively. The Group reported a gross profit margin of 39% in FY2019 which was an increase of 5% from 34% in FY2018 due to the higher gross profit margin contributed by the oil and gas equipment segment in FY2019.

The Group incurred administrative and general expenses of $4.0 million in FY2019, a decrease of $1.2 million from $5.2 million reported in FY2018, mainly due to one-off expenses incurred and recognised during FY2018 relating to the issuance of shares under the Annica Performance Share Plan and write-off of redeemable convertible bonds expenses which amounted to $1.5 million and $0.5 million respectively. The Group's loss from continuing operations has decreased by $3.7 million or 91% in FY2019 from the preceding year, mainly due to the higher contribution generated from both oil and gas equipment and engineering services segments and a reduction in total expenses.

FINANCIAL POSITION

The Group's FY2019 net current assets and total assets stood at $1.7 million and $9.5 million respectively. As at FY2019, the Group net assets has increased by $0.2 million from $4.2 million as at FY2018 to $4.4 million as at FY2019.

CASH FLOWS

The Group held cash and cash equivalents of $1.2 million as at FY2019.

UPDATES ON AUDIT ISSUES PURSUANT TO PARAGRAPH 3A OF APPENDIX 7C OF THE CATALIST RULES

Pursuant to paragraph 3A of Appendix 7C of the Catalist Rules, with regard to the qualified opinion issued by the Group's independent auditor in relation to the Group's audited financial statements for FY2019 (the basis of which is set out on pages 55 to 56 of this annual report), the Company wishes to provide an update on the efforts taken to address the basis for the Qualified Opinion to-date. Shareholders are advised to read the audited financial statements accompanying this annual report in conjunction with the updates set out below.

Terms used and not otherwise defined in this section shall bear the same meanings as ascribed to them in the annual report or in the Company's announcements dated 2 March 2020, 4 March 2020, 9 March 2020 or 13 March 2020, as may be appropriate.

1. Consideration due from disposal of a subsidiary ("**GPE**") from Ms Chong Shin Mun (the "**Purchaser**") (Please refer to Note 7 on page 87 of this annual report for further details)

   With respect to the first basis for the Qualified Opinion, subsequent to the Company's Unaudited Financial Statements and Dividend Announcement for FY2019 as announced on 28 February 2020, the Purchaser had, on 4 March 2020, transferred a further 50,000,000 Controlled Shares to Shamsol Jeffri Bin Zainal Abidin for a consideration of $50,000, which had been fully paid to the Company and applied towards the discharge of the outstanding amount under the Third Tranche Consideration. On 9 March 2020, the Company and Purchaser entered into further definitive agreements under which the Purchaser granted certain rights of control and sale to the Company in respect of 62,670,000 shares held by the Purchaser in the Company ("**Further Controlled Shares**"), pursuant to the Third Supplemental Agreement entered between the Company and the Purchaser on 2 March 2020. Under the Third Supplemental Agreement, the Purchaser shall:

   (a) pay the amount of $50,000 as part payment of the Fourth Tranche Consideration (the "**First Part Payment**") to be satisfied by the Further Controlled Shares;

   (b) continue to pay interest on the Fourth Tranche Consideration from time to time outstanding for the period beginning on the day following the Original Due Date (i.e. 30 October 2010) and ending on the date the Company receives it, at a rate of 6% per annum, accruing on a daily basis (the "**Interest**"); and

(c) pay an additional $5,000 extension fee per month (the "**Extension Fee**") in addition to the Fourth Tranche Consideration and Interest commencing from the month of February 2020 and up to the date of full repayment of the Fourth Tranche Consideration and Interest.

2. Loan to a former subsidiary (GPE) and Amount due from a former subsidiary (GPE) (Please refer to Note 7 on page 86 of this annual report for further details)

   With respect to the second basis for the Qualified Opinion, although GPE had defaulted on their payment obligations during the year, GPE had taken steps to remedy the default. On 15 January 2020, the Purchaser had granted 100,000,000 shares in the Company to the Company towards satisfying the outstanding scheduled payment of $100,000 on behalf of GPE. On 31 March 2020, the Company received $30,000 in cash from GPE, being the scheduled payment specified under the loan restructuring agreement. There are currently no outstanding scheduled payments due from GPE as at the time of this annual report.

The Board reiterates that the matters above are continually being monitored and reviewed while the Company persists with its approach of constructive engagement with the Purchaser and GPE towards successful resolution.

The Board confirms that the impact of all outstanding audit issues on the financial statements have been adequately disclosed to date. For the reasons disclosed in Note 4.1 to the financial statements accompanying this annual report, the Board is of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis and, accordingly, suspension of trading of the Company's shares is not necessary. The Board of Directors is also of the view that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner.

OTHER MATTERS

There were several key developments subsequent to the release of the preliminary financial statements for FY2019 on 28 February 2020. For instance, the Company had, in its announcement on 24 March 2020, reminded Mr. Lim In Chong that the last date for the exercise of the 4,500,000,000 outstanding options held by him is 24 April 2020. In addition, the Company had on 1 April 2020 entered into a settlement agreement with Mr. Edwin Sugiarto, and both parties subsequently filed the notices of discontinuance on 6 April 2020. Please refer to Note 20(iii), Note 38 and Note 39 of the financial statements for further details on the foregoing as well as other developments subsequent to the release of the Company's preliminary financial statements for FY2019 which have had a material impact on the Company's operating and financial performance.

Other than as disclosed above and in the financial statements to this Annual Report, there is no other significant development subsequent to the release of (i) the Group's and the Company's preliminary financial statements for FY2019, as announced on 28 February 2020 and (ii) the Company's announcement on 13 April 2020 in relation to the material variances between the unaudited and audited financial statements for FY2019, which would materially affect the Group's and the Company's operating and financial performance as of 13 April 2020, being the date of the Directors' Statement on pages 52 to 54 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin
(Independent and Non-Executive Chairman)
(appointed on 5 July 2019)

Sandra Liz Hon Ai Ling
(Executive Director and Chief Executive Officer)

Lim In Chong
(Non-Independent and Non-Executive Director)

Shamsol Jeffri Bin Zainal Abidin
(Non-Independent and Non-Executive Director)
(appointed on 27 September 2019)

Su Jun Ming
(Lead Independent and Non-Executive Director)

Adnan Bin Mansor
(Independent and Non-Executive Director)

COMPANY SECRETARY
Tan Poh Chye Allan

AUDIT COMMITTEE

Su Jun Ming	(Chairman)
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin	(Member)
Adnan Bin Mansor	(Member)

NOMINATING COMMITTEE

Adnan Bin Mansor	(Chairman)
Su Jun Ming	(Member)
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin	(Member)

REMUNERATION COMMITTEE

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin	(Chairman)
Su Jun Ming	(Member)
Adnan Bin Mansor	(Member)

DATE OF INCORPORATION
20 August 1983

COMPANY REGISTRATION NUMBER
198304025N

SHARE LISTING
Listed on the Singapore Exchange Dealing and Automated Quotation System, now renamed the Catalist board of the SGX-ST, in 2001

REGISTERED OFFICE
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#17-01 Shaw Tower
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Telephone: +65 6221 1123
Facsimile: +65 6228 9487
Email: prinfo@annica.com.sg

AUDITOR
Baker Tilly TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner in-charge:
Tay Guat Peng
(appointed from the financial year ended 31 December 2015)

SHARE REGISTRAR
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Telephone: +65 6593 4848
Facsimile: +65 6593 4847

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

SOLICITORS
Allan Tan Law Practice
760 Bedok Reservoir Road
#11-13 Singapore 479245

PRINCIPAL BANKER
Standard Chartered Bank (Singapore) Limited
6 Battery Road
Singapore 049909

CIMB Bank Berhad
50 Raffles Place
#01-02 Singapore Land Tower
Singapore 048623

1. Board statement

We reaffirm our commitment to sustainability with the publication of our sustainability report ("**Report**"). For this Report, we provide insights into the way we do business, while highlighting our environmental, social and governance ("**ESG**") factors and economic performance.

Whilst mindful of our profit-oriented objective, we are committed to strike a balance between growth, profit, governance, the environment, the development of our people and the well-being of our communities to secure the long-term future of our Group. In line with our commitment, the Board having considered sustainability issues (including potential risks and opportunities) as part of our strategic formulation, determined the material ESG factors and delegated the overall management and monitoring of the material ESG factors to the management of the Company.

We are in the process of developing a formal enterprise risk management framework and the results of which will be linked to the ESG factors identified in this Report where relevant. We target to complete the development of the enterprise risk management framework and add disclosure on risks and opportunities related to each ESG factor by the next sustainability report.

A sustainability policy ("**SR Policy**") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG factors is in place and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders as well as organisational and external developments.

A summary of our sustainability performance in FY2019 is as follows:

S/N	Material factor	Sustainability performance
General disclosure		
1	Customer satisfaction	▪ A comprehensive range of products is offered to our customers ▪ P.J. Services Pte Ltd is ISO 9001:2015 certified
Social		
2	Employee retention	▪ 65% of our employees served with us for more than 3 years
3	Sustainable and clean sources of energy	▪ The Group has entered into a non-binding memorandum of understanding with a state economic development corporation group to facilitate the development of sustainable sources of energy in Perak
4	Equality and diversity in the workplace	▪ Percentage of female to total full-time employees of 47% ▪ 47% of our workforce are at least 40 years old ▪ Percentage of employees with tertiary and non-tertiary education is 77% and 23% respectively
Environmental		
5	Energy conservation	▪ Electricity consumption rate is 1,895 kWh per employee
Economic		
6	Sustainable business performance	▪ The Group's FY2019 operating results were generally in line with the expectations as previously disclosed in the Company's FY2018 annual report
Governance		
7	Robust corporate governance framework	▪ No reported incidents of serious offence ▪ Singapore Governance and Transparency Index[1] ("**SGTI**") score assessed by National University of Singapore Business School of 44

1 SGTI is a collaboration between CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), and Singapore Institute of Directors (SID) to assess corporate governance practices of Singapore-listed companies.

2. Reporting framework

This Report has been prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards: Core option and the Rules 711 (A) and 711 (B) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). We have chosen to report using the GRI Standards: Core options as it is an internationally recognised reporting framework.

3. Reporting period and scope

This Report is applicable for the Group's financial year ended 31 December 2019 ("**FY2019**" or "**reporting period**"). A sustainability report is published annually in accordance with our SR Policy and the Catalist Rules.

This Report covers the key operating entities within our Group which contributed approximately 100% (FY2018: 100%) of the total revenue for the reporting period.

4. Feedback

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: prinfo@annica.com.sg

5. Stakeholder engagement

Our efforts on sustainability are focused on creating sustainable value for our key stakeholders, which comprise communities, customers, employees, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by our operations.

We actively engage our key stakeholders through the following channels:

S/N	Stakeholder	Engagement channel	Frequency of engagement	Key concerns raised
1	Communities	We focus on continuous community engagement and have introduced various initiatives to promote social inclusion and environmental sustainability.	Ongoing	▪ Social inclusion ▪ Environmental conservation
2	Customers	Customers are encouraged to provide their feedback and feedback obtained is reviewed and relevant follow-up actions are taken to better serve them. Regular meetings and communications are made with customers to ensure that we remain connected with our customers.	Ongoing	▪ Product quality and reliability ▪ Customer service standards
3	Employees	Senior management holds regular communication sessions with employees to obtain feedback and to align business goals across all levels of the workforce. Such communication channels include emails and regular staff evaluation sessions where employees can pose questions in person.	Ongoing	▪ Equal employment opportunity ▪ Job security ▪ Remuneration

S/N	Stakeholder	Engagement channel	Frequency of engagement	Key concerns raised
4	Regulators	We participate in consultations and briefings organised by key regulatory bodies such as the SGX-ST and relevant government agencies/ bodies so as to better understand the regulatory requirements and to furnish feedback on proposed regulatory changes that may impact our businesses.	Ongoing	Corporate governance
5	Shareholders	We convey timely and accurate information to shareholders through announcements on SGXNET, our website (http://www.annica.com.sg), annual general meetings, annual reports and other channels such as business publications and investor relation events.	Annually	▪ Sustainable business performance ▪ Market valuation ▪ Dividend payment ▪ Corporate governance
6	Suppliers	We work closely with suppliers to ensure smooth delivery of products. In general, new suppliers are screened in accordance with the Group's purchasing policies and existing suppliers are assessed by respective work teams based on specified criteria. Feedback is also provided by the procurement teams to suppliers to ensure standards of products or services delivered by suppliers.	Ongoing	▪ Ability to distribute products ▪ Maintain and expand brand presence ▪ Maximise end customers' satisfaction

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

6. Policy, practice and performance reporting

6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the board of directors (the "**Board**" or the "**Directors**"). The Group's Sustainability Committee, led by our Chief Executive Officer, is tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for the Report.

6.2 Sustainability reporting processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end result of this process is a list of material factors as disclosed in this Report. A brief description of the process is as shown below:

6.3 Materiality assessment

Under our SR Policy, each sustainability factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority should be reported in detail.
II	Medium	Factors with medium reporting priority should be considered for inclusion in the Report. If it is decided that such factors are not material, they may be excluded from the Report.
III	Low	Factors with low reporting priority may not be reported unless to fulfil regulatory or other reporting requirements.

The reporting priority is supported by a material factor matrix which takes into account the level of concern to external stakeholders in relation to a particular sustainability factor and its potential short, medium and long term impact on the Group's business. Such factors are set out in section 7 of this Report.

6.4 Performance tracking and reporting

We track the progress of our material factors by identifying, monitoring and measuring the relevant data points (being the relevant source(s) of such data). In addition, we set performance targets that are aligned with our strategy to ensure that we remain focused in our path to sustainability. We shall consistently enhance our performance-monitoring and data collection processes.

7. Material factors

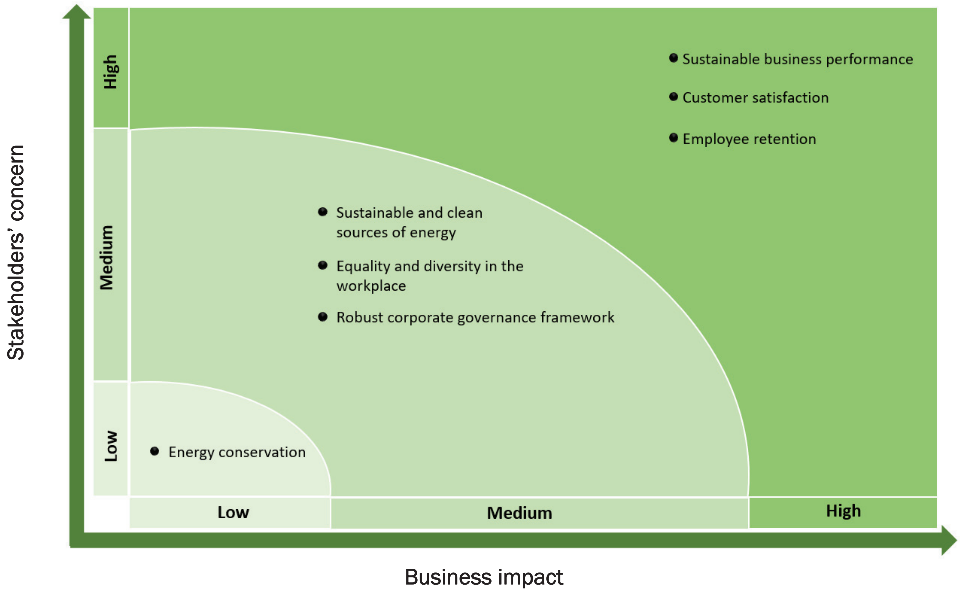
Our materiality assessment performed for FY2019 involved the Group's senior management in identifying sustainability factors deemed material to our Group's businesses and our stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below are a list of key sustainability factors applicable to our Group:

S/N	Material factor	Key stakeholder	Reporting priority
General disclosure			
1	Customer satisfaction	▪ Customers ▪ Suppliers	I
Social			
2	Employee retention	Employees	I
3	Sustainable and clean sources of energy	▪ Communities ▪ Regulators ▪ Shareholders	II
4	Equality and diversity in the workplace	Employees	II
Environmental			
5	Energy conservation	▪ Communities ▪ Shareholders	III
Economic			
6	Sustainable business performance	Shareholders	I
Governance			
7	Robust corporate governance framework	▪ Shareholders ▪ Regulators	II

SUSTAINABILITY REPORT

Material factors matrix



We will update the material factors on an annual basis as and when necessary to reflect changes in business operations, environment, stakeholders' feedback and sustainability trends in the short, medium and long term. The details of each key sustainability factor are presented as follows:

7.1 Customer satisfaction

We firmly believe that ensuring customer satisfaction is key to our business sustainability. During the reporting period, our approach and strategy towards customer satisfaction are as follows:

Offering a comprehensive range of solutions that meet customers' requirements through cultivating sustainable relationships with suppliers

We pride ourselves as a manufacturer's representative[2] that provides technical solutions to customers within various aspects of our business. In our offshore and onshore oil & gas equipment sector, P.J. Services Pte Ltd and its subsidiaries ("**PJ Group**") play a role that extends beyond a traditional distributor by developing one-stop solutions that combine products from different suppliers to serve the needs of our customers. Such a practice is also adopted by our engineering services business, under Industrial Engineering Systems Pte. Ltd. ("**IES**"), which also aims to offer personalised solutions to customers.

Key brands under distribution

2 A manufacturer's representative serves an extended function to manufacturers in advising customers on developing solutions based on products under distribution.

To fulfil this role, we strive to maintain long-standing relationships with our strategic suppliers to distribute a wide range of complementary products that meet customers' requirements.

In addition, a core team of experienced and professional engineers is formed to provide value-added services to our customers through the design of customised solutions and the management of fabrication and installation processes. Our service centre in Brunei provides effective and efficient refurbishment services for the customers that extend the useful lives of their engineering equipment and this in turn helps to reduce any extra costs that the customers would otherwise incur.

Adopting international standards for services provided

Apart from offering a wide range of products, we also place heavy emphasis on the quality of services that we provide. We continue to adopt market standards and best practices in our operations in order to fulfil this important aspect of our business. P.J. Services Pte Ltd is ISO 9001:2015 certified and under the certification, a quality manual has been implemented which covers the key areas of operations such as leadership, planning, support, operation, performance evaluation and improvement. The quality manual is intended to set a benchmark for quality standards for our employees so as to achieve desired operational outcomes.

We will continue to enhance customer satisfaction by sourcing for more product distributorships and ensuring that the relevant service standards are complied with.

ISO 9001:2015 Certificate


Lloyd's Register
LRQA

CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

PJ Services Pte Ltd
Blk 103 TOPS Avenue 1
#03-02 Loyang Offshore Supply Base
25 Loyang Crescent
P.O. Box No. 5150
Singapore 508988
Republic of Singapore

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

ISO 9001:2015

The Quality Management System is applicable to:

Supply of equipment, spares, accessories and related services to oilfield, petrochemical, maritime and industrial companies. Design and supply of pump packages.

Approval Certificate No: SNG 6039211

Original Approval: 02 August 2016
Current Certificate: 07 November 2017
Certificate Expiry: 07 September 2020

Issued by: Lloyd's Register Quality Assurance Limited Singapore
For and on behalf of Lloyd's Register Quality Assurance Limited

Target for FY2019	Performance in FY2019	Target for FY2020
▪ Maintain a comprehensive range of solutions ▪ Adhere to the market standards and best practices in operations	Targets met as follows: ▪ A comprehensive range of products is offered to our customers ▪ P.J. Services Pte Ltd is ISO 9001:2015 certified	▪ Maintain a comprehensive range of solutions ▪ Adhere to the market standards and best practices in operations

7.2 Employee retention

Our main businesses relate to the provision of services and human capital is thus crucial to our sustainability. The continual success of our business pivots on a team of skilled and experienced staff supervised by professional and knowledgeable managers. We are committed to employee retention through the following efforts:

- Senior management leading by example in business and operations
- Employees being empowered to make decisions at work
- Senior management communicates regularly with employees to obtain feedback and to align business goals across all levels of the workforce. Such communication channels include meetings, team building sessions, staff retreats and email communication whereby employees can express their views and provide feedback

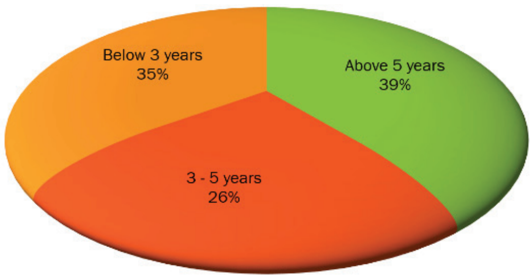
In addition, to recognise the loyalty, efforts and performance of deserving employees and to improve the quality of our workforce, we have put in place the following measures:

- Procedures and guidance are established to promote employees based on merit and competency
- Long-serving employees are rewarded for their contribution. During the reporting period, a total of 19 recipients were conferred the long service award for their 5, 10, 15, 20, 25 and 30 years of service.
- Staff assessment is performed regularly to evaluate the performance of staff and adjust their remuneration where justifiable. This encourages them to take self-initiated actions to improve their capabilities.
- Whenever possible, promising employees are selected to attend employee training programs such as the skill development courses, or the product knowledge programs which help them to further improve their skills and knowledge

As at 31 December 2019, our total number of employees stands at 43 (FY2018: 36) and 65% (FY2018: 61%) of our workforce have served with us for more than 3 years.

Long service award recipients

Years of service (all full-time employees)



We will continue our above-mentioned efforts as we recognise the importance of retaining our valuable staff.

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or improve employee retention rate	Target met as follows: 65% of our workforce served with us for more than 3 years, which is an improvement from the previous year	Maintain or improve employee retention rate

7.3 Sustainable and clean sources of energy

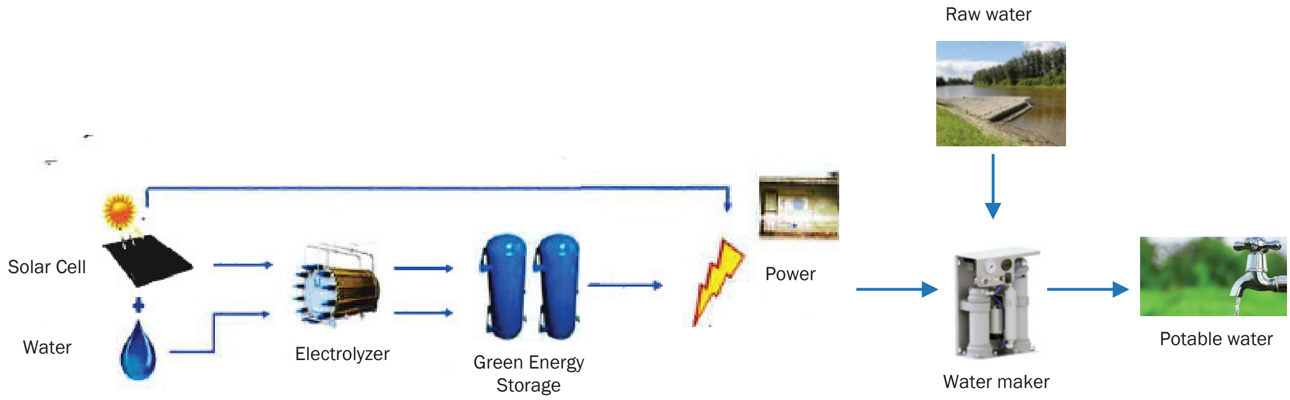
As part of our commitment to give back to the community, as well as our continued efforts to diversify into the renewable sector, we have taken the following initiatives:

<u>Rural Electrification Project in Sarawak, Malaysia</u>

Through HT Energy (S) Sdn. Bhd. ("**HTES**"), we managed to obtain the support of the Department of Health in Sarawak, Malaysia to commence a pilot project to electrify clinics in rural, off-grid communities located in Sarawak, Malaysia ("**pilot project**"). The pilot project involves various stakeholders such as related governmental agencies in Sarawak and aims to (i) provide reliable, clean and affordable electricity access for rural communities, and (ii) create a market and opportunity for private and public stakeholders to participate in the electrification of rural communities.

Typically, rural communities are powered by diesel generators. Diesel generators are pollutive by design and due to the scarcity of resources in such communities and the costly logistical arrangements involved in transporting diesel fuel to sites, electrification of such communities is often, at best, intermittent.

Under the pilot project, a solar-hydrogen energy system will be set up to replace the diesel generators. The inputs to power the system will be solar and water, both readily available and non-pollutive in nature. A schematic illustration of the process involved is as follows:



The electrification will be fuelled by 2 parallel sources to enable continuous, day and night supply for the inhabitants. In addition, we have added water filtration systems to provide a source of clean water for the inhabitants to consume and utilise for their daily needs. Providing a continuous source of electricity as well as clean water help to improve the quality of life of inhabitants of the rural communities and increase the activity level of inhabitants.

Once the pilot project is successfully completed, it is envisioned that the pilot project will serve as a benchmark for future projects to serve rural communities and may also be a stepping stone for new opportunities in the renewable sector and, therefore, a new source of revenue for the Group going forward.

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Following the conduct of the first Factory Acceptance Test ("**FAT**") conducted on 23 October 2018 on the Power Module Cahya Suria 1 ("**PMCS1**"), the project team of the pilot project ("**Project Team**") commenced the conduct of the second FAT during the week of 17 June 2019 on the PMCS1. On 16 August 2019, we announced that the second FAT is a success and arrangements are made to ship the Power Module to the project site.

Thereafter, the pilot module arrived on-site in mid-February 2020, after clearance from the Malaysian customs authority and the passing of adverse weather conditions which had rendered passage to the site inaccessible for vehicular transport. Meanwhile, wet weather conditions at the site continue to persist and this has resulted in installation delays. We will make the relevant announcements with regards to any material developments regarding this pilot project.

<u>Large Scale Solar Photovoltaic Projects ("**LSS Projects**") in Perak, Malaysia</u>

Through our wholly-owned subsidiary Cahya Suria Energy Sdn. Bhd. ("**CSE**"), we, on 18 June 2019, entered into an alliance with Majuperak Holdings Berhad ("**MHB**") and Perbadanan Kemajuan Negeri Perak ("**PKNP**"), a corporation responsible for the economic development of Perak, Malaysia to facilitate the development of sustainable sources of energy in the State.

This partnership not only serves as a platform for the relevant stakeholders to collaborate on the development of LSS Projects in Perak, but also helps us to boost our presence in the renewable sector. More importantly, such an initiative enables us to take a progressive step towards increasing access to clean and sustainable energy for the communities involved and, thereby, improving the overall quality of life for them.

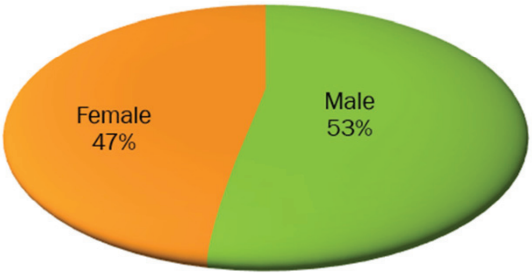
The Malaysian Government has outlined a goal to achieve a higher penetration of renewable energy to account for 20% of the total Malaysian energy generation mix by 2025. In line with the Malaysian Government's initiative, we have identified an initial site that is suitable for a proposed LSS Project with a capacity of 35MW. We wish to inform shareholders that the above-mentioned parties have made progress in their identification of additional potential sites for LSS Projects and we will make the necessary announcements as and when there are material developments on this matter.

Target for FY2019	Performance in FY2019	Target for FY2020
▪ Improve the quality of life for inhabitants of rural communities ▪ Increase the activity level of inhabitants of rural communities	Targets partially met as follows: Our pilot project has yet to register maiden contributions due to delays as a result of various technical issues arising from FATs which were completed in FY2019. The pilot module had arrived on-site in mid-February 2020, after obtaining clearance from the Malaysian customs authority and the passing of adverse weather conditions which had rendered passage to the site inaccessible for vehicular transport. Separately, the Group has entered into a non-binding memorandum of understanding with a state economic development corporation group to facilitate the development of sustainable sources of energy in Perak.	▪ Improve the quality of life for inhabitants of rural communities ▪ Increase access to renewable energy resources for the communities

7.4 Equality and diversity in the workplace

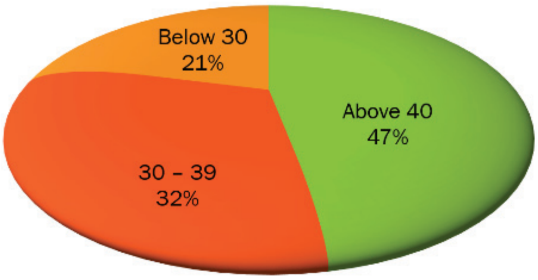
We aim to provide a working environment for employees that fosters fairness, equity and respect for social and cultural diversity, regardless of gender and age. Therefore, we are committed to the goals of diversity and equal opportunity in employment.

Gender diversity (all full-time employees)



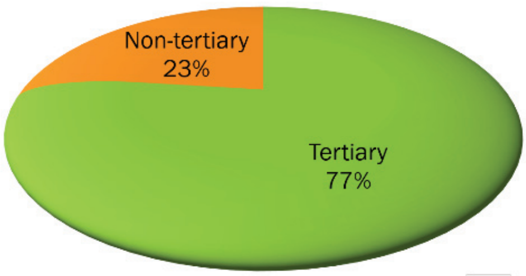
With regards to gender diversity, the percentage of female to total full-time employees is 47% (FY2018: 50%) as at 31 December 2019.

Age diversity (all full-time employees)



For age diversity, matured workers are valued for their experience knowledge and skills. As at 31 December 2019, 47% (FY2018: 55%) of our workforce are at least 40 years old.

Educational diversity (all full-time employees)



For diversity in educational background, we seek to create an inclusive environment for employees from different educational backgrounds. As at 31 December 2019, the percentage of employees with tertiary and non-tertiary education is 77% and 23% (FY2018: 78% and 22%) respectively.

To promote equal opportunity, we have in place various human resource related processes as follows:

- Staff recruitment advertisements do not state age, race, gender or religion preferences as requirements.
- Staff assessment is performed regularly to evaluate the performance of employees to encourage them to take self-initiated enrichment actions to improve themselves.
- To promote equal opportunities in the workplace, we have provided promising employees to attend employee training programs regardless of their background or diversity.

Target for FY2019	Performance in FY2019	Target for FY2020
Not applicable as this is a new sustainability factor added in this Report	▪ Percentage of female to total full-time employees is 47% ▪ 47% of our workforce are at least 40 years old ▪ Percentages of employees with tertiary and non-tertiary education are 77% and 23% respectively	Move towards a more balanced or maintain existing gender and age diversity ratios

7.5 Energy conservation

We operate in several office locations in different countries and we rely on electricity to operate equipment such as lighting, various office equipment and air-conditioning. Electricity consumption during the reporting period is as follows:

Description	Consumption rate (kWh)[3]	
	FY2019	FY2018
Electricity consumption per employee	1,895	1,980

We track and review spending on electricity consumption regularly to control usage and corrective actions are taken when there are unusual consumption patterns.

We constantly remind our staff on some basic and socially responsible habits in their administrative office environment such as adopting greener work ethics, going paperless, switching off appliances if not in use, enabling power save modes and such related practices.

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or reduce electricity consumption rate	Target met as follows: Electricity consumption per employee decreased slightly to 1,895 kWh	Maintain or reduce electricity consumption rate

3 Information extracted from our operations in Singapore, Indonesia, Malaysia and Brunei

7.6 Sustainable business performance

We believe in creating long-term economic value for shareholders as well as other stakeholders by adopting responsible business practices and growing our business in a sustainable manner.

In FY2017, the management embarked on a diversification initiative into renewable energy and green technology businesses ("**Renewable Sector**"). This initiative primarily aims to reduce our reliance on the oil & gas equipment and engineering services business segments, provide shareholders with diversified returns and enhance shareholders' value. Examples of related projects that we have undertaken are elaborated in Section 7.3 of this Report.

Concurrently, we will continue to strive for success in our core businesses to enable sustainable growth. Efforts made include the following:

- Establishment of our first PLIDCO authorised service centre in Brunei in the oil & gas equipment sector
- Introduction of technical consultancy services in the engineering services sector, which provides one-stop solutions in China, Vietnam and Malaysia that combine products from different suppliers to better serve our customers' needs

As we continue with our strategic restructuring plan and diversification initiative, we appreciate our shareholders' patience and understanding in the execution of such an initiative.

Details of the Group's financial performance can be found in the financial contents and audited financial statements of this Annual Report.

Target for FY2019	Performance in FY2019	Target for FY2020
▪ Reduce the Group's reliance on its current core business ▪ Diversification into Renewable Sector to provide the Group with additional and recurrent revenue streams ▪ Improve our prospects for long term growth to enhance shareholder's value for the Company	Targets partially met as follows: ▪ In order to reduce the Group's reliance on our current core businesses, our oil & gas equipment segment and engineering services segment expanded their service offerings to include equipment servicing. Our engineering services segment also now provides technical consultancy services in China, Vietnam and Malaysia ▪ Although the Renewable Sector has yet to register maiden contributions, there was significant progress in building the foundation for a sustainable and profitable business going forward ▪ The Group's FY2019 operating results were generally in line with the expectations as previously disclosed in the Company's FY2018 annual report	Maintain or improve our financial performance subject to market conditions

7.7 Robust corporate governance framework

A high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interest and maximising long term shareholder value.

We have in place a whistle blowing policy to serve as a mechanism for employees to raise concerns via mail to the following parties:

- Any concern should be raised with the immediate supervisor.
- If, for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to the Chief Executive Officer.
- If, for any reason, it is believed that reporting to the Chief Executive Officer is a concern or not possible or appropriate, then the concern should be reported to the Chairman of the Audit Committee.

Parties can report a whistleblowing complaint if they are aware of any wrongdoing, including but not limited to the following:

- Fraud
- Misappropriation of assets
- Sexual harassment
- Criminal breach of trust
- Corrupt practices
- Questionable or improper accounting
- Misuse of confidential information
- Acts or omissions which are deemed to be against the interest of the Company, laws, regulations or public policies
- Giving false or misleading information (including suppression of any material facts or information)
- Deliberate concealment of any of the above or other related acts of wrongdoings

During the reporting period, there were no reported incidents of serious offence[4] (FY2018: zero incidents). In addition, our overall SGTI score as assessed by the National University of Singapore Business School for FY2019 is 44 (FY2018: 43).

You may refer to Corporate Governance Report of this Annual Report for details for our corporate governance practices.

Target for FY2019	Performance in FY2019	Target for FY2020
Not applicable as this is a new sustainability factor added in this Report.	▪ Achieved zero incident of serious offence ▪ SGTI score assessed by National University of Singapore Business School of 44	▪ Maintain zero incident of serious offence ▪ Maintain or improve our SGTI score

4 A serious offence is defined as one that involves fraud or dishonesty amounting to not less than $100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

8. Supporting the UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (“**SDGs**”), which form an urgent call for action by all countries – developed and developing – in a global partnership. We believe that everyone plays an important role in advancing sustainable development and in order to align our business objectives with the SDGs, we have identified a number of SDGs which we can contribute through our business practices, products and services. The SDGs that we focus on and the related sustainability factors are as follows:

SDG	Our effort
Ensure access to affordable, reliable, sustainable, and modern energy for all	Section 7.3 Sustainable and clean sources of energy Our continued efforts to expand into the renewable sector and to provide the communities with clean and sustainable resources help to diversify our business and also contribute to sustainability development. Section 7.5 Energy conservation We place heavy emphasis on the efficient use of energy within our office premises as well as business practices, such as minimising electricity consumption. Such practices help to improve the overall energy efficiency rate and reduce our operational cost.
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Section 7.1 Customer satisfaction We recognise that adhering to the highest quality and standard of services provided to our customers is vital in ensuring the success of our business. The continuity of our business in turn contributes to economic growth and employment, as well as long-term economic value to our shareholders. Section 7.2 Employee retention Maintaining a high quality workforce that is skilled and experienced contributes largely to the success of our business. This in turn contributes economic growth and employment, as well as long-term economic value for our shareholders. Section 7.6 Sustainable business performance We contribute to economic growth through creating long-term economic value for our shareholders.
Reduce inequality within and among countries	Section 7.4 Equality and diversity in the workplace We ensure equal opportunity for all regardless of gender, age, nationality, ethnicity, or educational background.
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at al levels	Section 7.7 Robust corporate governance framework We maintain a high standard of corporate governance framework to safeguard our shareholders’ interest and maximise long-term shareholder value.

9. GRI content index

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Organisation profile			
102-1	Name of the organization	▪ Cover Page ▪ Letter to Shareholders ▪ Corporate Structure	– 2 - 4 5
102-2	Activities, brands, products, and services	▪ Letter to Shareholders ▪ Notes to the Financial Statements > Investments in Subsidiaries ▪ Notes to the Financial Statements > Investments in Associates	2 - 4 88 - 91 91 - 92
102-3	Location of headquarters	▪ Corporate Information ▪ Notes to the Financial Statements> General Corporate Information	8 66
102-4	Location of operations	▪ Letter to Shareholders ▪ Notes to the Financial Statements > Investments in Subsidiaries ▪ Notes to the Financial Statements > Investments in Associates	2 - 4 88 - 91 91 - 92
102-5	Ownership and legal form	▪ Corporate Structure ▪ Notes to the Financial Statements> General Corporate Information ▪ Statistics of Shareholdings	5 66 131 - 132
102-6	Markets served	▪ Letter to Shareholders ▪ Notes to the Financial Statements > Segment Information	2 - 4 113 - 115
102-7	Scale of the organization	▪ Sustainability Report > Material Factors > Equality and Diversity in the Workplace ▪ Sustainability Report > Material Factors > Sustainable Business Performance ▪ Statements of Financial Position ▪ Consolidated Statement of Profit or Loss and Other Comprehensive Income	19 - 20 21 59 60 - 61
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	19 - 20
102-9	Supply chain	Sustainability Report > Material Factors > Customer Satisfaction	14 - 15
102-10	Significant changes to the organization and its supply chain	There were no significant changes to the organization and its supply chain during the reporting period	–
102-11	Precautionary Principle or approach	None	–
102-12	External initiatives	Sustainability Report > Material Factors > Supporting the UN Sustainable Development Goals	23
102-13	Membership of associations	None	–

General standard disclosure		Section reference	Page
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102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	9
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102-16	Values, principles, standards, and norms of behaviour	Corporate Governance Report	29 - 51
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102-18	Governance structure of the organization	Corporate Governance Report	29 - 51
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102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	10 - 11
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	10 - 11
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	10 - 11
102-44	Key topics and concerns raised	▪ Sustainability Report > Stakeholder Engagement ▪ Sustainability Report > Material Factor > Customer Satisfaction	10 - 11 14 - 15
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102-45	Entities included in the consolidated financial statements	▪ Corporate Structure ▪ Notes to the Financial Statements > Investments in Subsidiaries ▪ Notes to the Financial Statements > Investments in Associates	5 88 - 91 91 - 92
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	12
102-47	List of material topics	Sustainability Report > Material Factors	13 - 22
102-48	Restatements of information	None	–
102-49	Changes in reporting	Sustainability factors added: ▪ Sustainability Report > Material Factors > Equality and Diversity in the Workplace ▪ Sustainability Report > Material Factors > Robust Corporate Governance Framework Sustainability factors removed: Waste optimisation has been removed from the FY2019 sustainability report as there has been no further material development on the relevant project. The Company will continue to review this matter from time to time and make the necessary announcements as appropriate or when there are further developments on the same.	19 - 20 22 –

SUSTAINABILITY REPORT

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205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Robust Corporate Governance Framework	22
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302-3	Energy intensity	Sustainability Report > Material Factors > Energy Conservation	20
Category: Social			
401-1	New employee hires and employee turnover	Sustainability Report > Material Factors > Employee Retention	16
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	19 - 20
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Sustainable and clean sources of energy	17 - 18

BOARD OF DIRECTORS

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin
Independent and Non-Executive Chairman

Tan Sri was appointed to the Board on 5 July 2019 as the Independent and Non-Executive Chairman. He had a distinguished career in the Malaysian judiciary system, reaching the apex of his judiciary career by serving as the President of Malaysia's Court of Appeals before retiring in July 2018. Tan Sri is currently serving as a Judge in the Syariah Court of Appeal, Perak and as an Arbitrator and Mediator of AIAC. Tan Sri holds a Bachelor of Laws degree from University of Malaya and a Master of Law degree from University College, University of London.

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

Sandra is the Executive Director and Chief Executive Officer of Annica Holdings Limited and was appointed to the Board on 6 January 2016. Sandra is responsible for the Group's strategic direction, business development and overall performance, drawing from her extensive experience in senior management in the areas of corporate finance, restructuring, business advisory and project financing. Prior to her position at Annica, Sandra had previously served as an independent director at a public listed company in Bursa Malaysia. She is passionate and active in the renewable energy and green technology industry and works closely with private equity players, both locally and abroad. Sandra holds a Master of Business Administration degree from University of Strathclyde.

Lim In Chong
Non-Independent and Non-Executive Director

In Chong is the Non-Independent and Non-Executive Director and was appointed to the Board on 6 July 2018. He studied at United World College of Southeast Asia and graduated from Trent University in Peterborough, Canada and later received a master degree from RMIT Melbourne. In Chong is a renowned landscape designer and an avid supporter of sustainable and green development with abiding interest in the renewable sector. He is also a director and principal of Inchscape Sdn. Bhd. and his work has received numerous accolades from around the world.

Shamsol Jeffri Bin Zainal Abidin
Non-Independent and Non-Executive Director

Shamsol is the Non-Independent and Non-Executive Director and was appointed to the Board on 27 September 2019. Shamsol is an established town planner and businessman and has more than 25 years of experience in urban planning, social planning, urban transportation planning, and land and property development management. He holds a Bachelor Degree in Urban and Regional Planning from University Technology of Malaysia (UTM). He is also a corporate member of the Malaysian Institute of Planners (MIP) and Lembaga Perancang Bandar Malaysia (LPBM), and a member of Malaysian Social Impact Assessment (MSIA), all of which are professional bodies for planners to promote the advancement of town planning in Malaysia. He is a managing director of SAM Planners Sdn. Bhd., a multi-disciplinary company whose principal activities are town planning and environmental and landscape design.

Su Jun Ming
Lead Independent and Non-Executive Director

Jun Ming was appointed to the Board on 20 January 2016 as the Lead Independent and Non-Executive Director. Currently, Jun Ming is a Director with a boutique professional firm that specialises mainly in insolvency and restructuring services, corporate finance and transaction services. He was also formerly an associate director in a multinational auditing firm providing corporate finance advisory services in respect of IPOs, RTOs, M&A, valuations, fairness opinions, and capital raising exercises in Asia covering a range of industries. Jun Ming was also formerly a Financial Controller of a company listed on the SGX-ST. He is a Chartered Valuer and Appraiser (CVA) and a Chartered Financial Analyst.

Adnan Bin Mansor
Independent and Non-Executive Director

Adnan was appointed to the Board as the Independent and Non-Executive Director on 20 January 2016. Adnan was the technical lead of the distribution division of Tenaga National Berhad and was responsible for the planning of substations construction and cabling. He is currently an independent consultant providing technical consultancy services on renewable energy and green technology related projects. Adnan is also a director of a privately-owned property development company in Malaysia.

KEY MANAGEMENT

Musa Bin Mohamad Sahir
*Managing Director, P. J. Services Pte Ltd and subsidiaries ("**P. J. Services Group**")*

Musa joined P.J. Services Pte Ltd as an executive and rose through the ranks to become Managing Director in 2016, overseeing the operations of P.J. Services Group. He is also tasked with the development of new products, businesses and territories and building new agency partnerships. Musa holds a Diploma in Mechatronics Engineering from the Temasek Polytechnic and has more than 12 years of experience working in the oil and gas industry, specialising in sales, marketing and project management for procurement of oil and gas equipment for onshore and offshore platforms, vessels and pipelines.

Pek Seck Wei
*Director, Industrial Engineering Systems Pte. Ltd. ("**IES**"), IES Engineering Systems Sdn. Bhd., Cahya Suria Energy Sdn. Bhd. & Renosun International Sdn. Bhd.*

Seck Wei is a co-founder of IES and has vast experience in the oil and gas industry. He is the Director of IES responsible for the management and development of the business of sale of oilfield equipment and customised engineering solutions to oil and gas companies in Singapore, Malaysia and Vietnam. Seck Wei graduated with a Bachelor of Electrical Engineering (Honours) degree from Nanyang Technological University. As part of the Group restructuring and diversification into the new businesses, Seck Wei has been appointed as the Director of Cahya Suria Energy Sdn. Bhd., a wholly-owned subsidiary of the Company and the immediate holding company of the rural off-grid and renewable energy subsidiaries, and oversees the business development and performance of this group of companies.

Muhammad Hatta Bin Sukarni
*Managing Director, HT Energy (S) Sdn. Bhd. ("**HTES**")*

Hatta is a co-founder of HTES and an experienced businessman. He began his career as a civil servant at the Department of Inland Revenue based in Sarawak, Malaysia. Almost a decade after, Hatta left the civil service to pursue his entrepreneurship endeavours. Owing to his business acumen and interpersonal skills, Hatta is a director and/or shareholder in several private limited companies in Malaysia and Australia. His diversified investments portfolio includes the civil engineering and construction industry, the property development industry and the fishing industry. Hatta's businesses are based in the State of Sarawak, Malaysia and leverage on his established network in the State.

Looi Kok Soon
*Managing Director, Renosun International Sdn. Bhd. ("**Renosun**")*

Kok Soon is a co-founder of Renosun. He holds a Bachelor degree of Economics (Accounting) from University of Adelaide, South Australia. Kok Soon possesses a total of 21 years of banking experience since 1993 and, during this time frame, has strategised and executed several major transformation initiatives especially in Branch Banking. At the end of 2014, he branched out to become a self-entrepreneur and started a business for the provision of consultancy services, system integration and installation of energy efficient solutions for households and businesses.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of Annica Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining a high standard of corporate governance within the Group. We believe that this is essential to the long-term sustainability of the Group's business and performance in order to safeguard the interests of the Company's shareholders (the "**Shareholders**") and to enhance corporate value and accountability.

This Corporate Governance Report ("**CG Report**") describes the Group's corporate governance framework and practices that were in place during the financial year ended 31 December 2019 ("**FY2019**") with specific reference to the principles and provisions (hereinafter referred to as the "**Principles**" and/or "**Provisions**") of the Code of Corporate Governance 2018 (the "**Code**"), which forms part of the continuing obligations as described in the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). The Company has complied with the principles of the Code where appropriate. Where there are any material deviations from the Code, appropriate explanations are provided.

This CG Report details the corporate governance practices and activities of the Company as required by the Code. This CG Report should be read as a whole as other sections of this CG Report may also have an impact on the specific disclosures.

The Code

The latest version of the Code, published in August 2018, has at its core broad Principles of corporate governance. Compliance with, and observation of, these Principles is mandatory. These Principles set out broadly accepted characteristics of good corporate governance. Companies are required to describe their corporate governance practices with reference to both the Principles and Provisions, and how the company's practices conform to the Principles.

The Provisions that underpin the Principles are designed to support compliance with the Principles. These Provisions, which replace the guidelines of previous Codes, are drafted in a simple and direct manner, and describe the tenets of good corporate governance. Companies are expected to comply with the Provisions, and variations from Provisions are acceptable to the extent that companies explicitly state and explain how their practices are consistent with the aim and philosophy of the Principle in question. The explanations of variations should be comprehensive and meaningful.

The emphasis of the Code is for companies to provide thoughtful and meaningful explanations around their practices, and for investors to carefully consider these discussions as part of their engagements with companies. Frank and informed dialogue between companies and their shareholders is a central tenet of good corporate governance, and encourages more active stewardship. Better engagement between these parties will benefit the company and investors.

Statement of Compliance

The Board confirms that for FY2019, the Company has generally complied with the Principles, and also with Provisions of the Code, save as otherwise explained below.

(A) BOARD MATTERS

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

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

1.1 <u>Primary Function</u>

The primary functions of the Board are to lead and provide direction for the Group, to act objectively in the best interests of the Company and hold key management personnel ("**Management**") accountable for performance, to enhance Shareholders' value in the long-term.

Apart from its statutory and fiduciary responsibilities, each Director understands the Group's businesses as well as his or her specific role as executive, non-executive and independent director.

In particular, the Board:

- establishes and determines the Group's corporate strategies, sets directions, goals, values and standards (including ethical standards) and ensures that obligations to Shareholders and other stakeholders are understood and met;
- ensures that the necessary financial and human resources are in place in order for the Group to meet its objectives and monitors the performance of these objectives to enhance and build long-term sustainable value for Shareholders;
- oversees the management, business and affairs of the Group with particular attention paid to growth and financial performance;
- establishes a framework of prudent and effective controls which enable risks to be assessed and managed so as to safeguard Shareholders' interest and the Group's assets;
- reviews the Group's financial reports and performance of the key management personnel of the respective businesses within the Group;
- considers sustainability issues in the formulation of its strategies;
- approves annual budgets, business plans, major funding proposals, financial restructuring, share issuance, investment and divestment proposals;
- identifies the key stakeholder groups and recognises that their perceptions affecting the Company's reputation;
- ensures that the Group meets good corporate governance standards; and
- exercises due diligence and independent judgement and acts in good faith and considers at all times the interests of the Company. In this regard, any Director facing a conflict of interest will recuse himself or herself from discussions and decisions that Director finds himself or herself in conflict with.

1.2 <u>The Board</u>

The composition of the Board and the position, dates of initial appointment and last re-election together with his/her directorships in other listed companies and other principal commitments, of each Director are set out below:

Name of Director	Designation	Date of appointment	Date of last re-election	Current directorships in listed companies (other than the Company)	Past directorships in listed companies (preceding three years)	Other principal commitments
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin	Independent and Non-Executive Chairman	5 July 2019	–	–	–	–
Sandra Liz Hon Ai Ling	Executive Director and Chief Executive Officer	6 January 2016	29 April 2016	–	–	–

Name of Director	Designation	Date of appointment	Date of last re-election	Current directorships in listed companies (other than the Company)	Past directorships in listed companies (preceding three years)	Other principal commitments
Shamsol Jeffri Bin Zainal Abidin	Non-Independent and Non-Executive Director	27 September 2019	–	–	–	Sam Planners Sdn. Bhd. – Managing Director
Lim In Chong	Non-Independent and Non-Executive Director	6 July 2018	29 April 2019	–	–	Inchscape Sdn. Bhd. – Director and Principal
Su Jun Ming	Lead Independent and Non-Executive Director	20 January 2016	28 April 2017	–	–	Alternative Advisors Pte. Ltd. – Director
Adnan Bin Mansor	Independent and Non-Executive Director	20 January 2016	29 April 2019	–	–	Kemuncak Laksana Sdn. Bhd. – Director

1.3 **Delegation of authority by the Board**

To facilitate effective management and to support the Board in its duties, certain functions have been delegated to various committees, namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively as "**Board Committees**"). The Board delegates the day-to-day management of the Group to the Management to facilitate effective management of the affairs of the Group.

The composition of the Board Committees is set out below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin (appointed on 5 July 2019)	Member	Member	Chairman
Su Jun Ming	Chairman	Member	Member
Adnan Bin Mansor	Member	Chairman	Member

The Board holds regular meetings to review, consider and approve strategic, operational and financial matters. Important matters concerning the Group are put before the Board for its decisions and approvals. Ad-hoc meetings are held when circumstances require and when the Board is required to address significant issues that may arise between scheduled meetings. Prior to each board or ad-hoc meeting, the Management will circulate in good time a board pack containing complete, adequate and timely information to enable Directors to make informed decisions and discharge their duties and responsibilities. As part of its on-going reporting to the Board, Management provides updates of the milestones achieved or issues encountered with key projects undertaken by the Group.

The Company's constitution ("**Constitution**") provides for meetings to be conducted by way of a telephone conference and/or by means of similar communication equipment where all the directors of the Company (the "**Directors**" and individually the "**Director**") participating in the meetings are able to hear each other. Management is invited to attend the meetings to present information and/or render clarification when required. Where physical meetings are not possible, timely communication between the Directors and Board Committees can be achieved via electronic means and the circulation of written resolutions for consideration and approval by the Directors or Board Committees members.

The Board makes decisions on matters that are specifically reserved for the approval of the Board which include the following:

- entering into contractual obligations, other than in the ordinary course of business;
- undertaking any corporate action, other than in the ordinary course of business;
- approving the policies, strategies and financial objectives and monitoring the performance of Management;
- overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- approving the nominations of persons to the Board and appointments of Management;
- approving annual budgets, major funding proposals, corporate or financial restructuring and investments and divestment proposals;
- declaration of interim dividends and proposal of final dividends, and interested person transactions;
- approving investments and vendors, with pre-set limits for different types of investment documentations as set out in the Company's mergers and acquisition policy and procedure;

(collectively, the "**Reserved Matters**").

The Management has also been informed that all Reserved Matters would have to be referred to the Board for approval. From time to time, as and when the Company proposes to enter into a material transaction, a presentation is made by the Management to the Board whether via a face-to-face meeting or by circulation of a proposal and/or presentation. The presentation sets out the analyses arrived at by Management and any specific issues which the Board should be appraised of to help them in their determination of whether approval should be given for the Company to enter into the proposed transaction.

In addition to the Reserved Matters, each Director has separate and independent access to Management, the Company Secretary, and external advisers (where necessary) at the Company's expense. The appointment and removal of the Company Secretary is a decision of the Board as a whole.

1.4 <u>Induction and Training of Directors</u>

The Company will conduct orientation programmes for newly appointed Directors to ensure that they are familiar with the Group's structure, business and governance policies. All directors who have no prior experience acting as director of a listed company will undergo training and/or briefing on the roles and responsibilities as director of a listed company as prescribed by the SGX-ST within one year from his/her date of appointment to the Board. Newly appointed Directors are given a formal letter explaining their duties and obligations as Directors of the Company.

At each Board meeting, the Directors will receive updates from the Management on the business and strategic developments of the Group. The Directors may, at any time, visit the Group's business operations in order to gain a better understanding of its businesses. Changes to regulations and accounting standards are monitored closely by the Management. During FY2019, the Directors were briefed by Baker Tilly TFW LLP on the developments in financial reporting standards and related changes that affect the Group, and by the Company Secretary on changes to the Catalist Rules, Code of Corporate Governance and other relevant changes to the Companies Act.

There were two new appointments to the Board during FY2019. Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin was appointed Independent and Non-Executive Chairman in July 2019 and Mr. Shamsol Jeffri Bin Zainal Abidin was appointed Non-Independent and Non-Executive Director to the Board in September 2019. The two new directors had attended the "BDF- Board and Director Fundamentals" course organised by the Singapore Institute of Directors on 22 July 2019.

For the year under review, the Directors had attended the following courses: (a) ACRA-SGX Audit Committee Seminar 2019 and (b) Financial Reporting: Fraud in China, organised by the Singapore Institute of Directors.

The Board recognises the importance of appropriate orientation training and continuing education for its Directors. The Company encourages the Directors to update themselves on new rules and regulations which are relevant to the Group, and to keep pace with regulatory changes. When relevant and of benefit to the Company, the Company will assist in arranging and funding relevant courses and seminars for the Directors to continue to keep abreast of new developments, especially where changes in regulatory and legal compliance are concerned. Directors are also briefed by the external auditor on the developments in Singapore Financial Reporting Standards (International) and the related changes that affect the Group.

1.5 Attendance of Directors at meetings

The attendance of the Directors at Board and Board Committees meetings held during FY2019 is set out below:

		Board Committees		
	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings held:	3	3	2	1
Name of Director	**Number of meetings attended**			
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin[a]	2	2	1	–
Ong Su Aun Jeffrey[b]	1	1	1	1
Sandra Liz Hon Ai Ling	3	3*	2*	1*
Shamsol Jeffri Bin Zainal Abidin[c]	1	1*	1*	–
Lim In Chong	3	3*	2*	1*
Nicholas Jeyaraj s/o Narayanan [d]	1	1	1*	1*
Su Jun Ming	3	3	2	1
Adnan Bin Mansor	3	3	2	1

* Attendance by invitation of the respective Board Committees

Notes:

(a) Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin was appointed Independent and Non-Executive Chairman on 5 July 2019.

(b) Mr. Ong Su Aun Jeffrey resigned as Acting Independent and Non-Executive Chairman on 20 May 2019.

(c) Mr. Shamsol Jeffri Bin Zainal Abidin was appointed Non-Independent and Non-Executive Director on 27 September 2019.

(d) Mr. Nicholas Jeyaraj s/o Narayanan resigned as Non-Independent and Non-Executive Director on 29 April 2019.

2. 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.*

2.1 Independence

The Board is made up of one (1) Independent and Non-Executive Chairman (appointed with effect from 5 July 2019), one (1) Executive Director, two (2) Non-Independent and Non-Executive Directors and two (2) Independent and Non-Executive Directors.

The Chairman of the Board is an Independent and Non-Executive Director and Independent Directors make up half of the Board. In compliance with Provision 2.3 of the Code, Non-Executive Directors make up a majority of our Board.

The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a checklist annually to confirm his/her independence based on the guidelines as set out in the Code. The Independent Directors have confirmed their independence and the Board has determined, taking into account the views of the NC, that all Independent Directors have satisfied the criteria of independence as a result of its review.

For an Independent Director who has served on the Board for more than nine (9) years from the date of his/her appointment, the Board and the NC will subject his/her independence to a particularly rigorous review by all the other Directors, before recommending the extension of his/her tenure as an Independent Director.

While none of the Independent Directors has been a director of the Company for an aggregate period of more than 9 years (whether before or after listing) (the "**Maximum Period**"), in the future, if any Independent Director has been a director for more than the Maximum Period, his/her continued appointment as an independent director must, in addition to the rigorous review by the NC, be approved in separate resolutions by (a) all shareholders; and (b) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the Company, and associates of such directors and chief executive officers.

2.2 Board size and composition

The Board comprises individuals from different backgrounds whose core competencies, qualifications, skills and experiences are extensive and complementary, in the areas of accounting, finance, business, management and technical, as well as legal. The diversity of experience, competence and knowledge provides direction, oversight and supervision to the Group.

The Board's composition, size, and balance and independence of each Independent and Non-Executive Director are reviewed by the NC. The Board comprises Directors who have the right core competencies and diversity of experiences to enable them, in their collective wisdom, to contribute effectively to the Group. At the current time, the Board, as a whole, possess accounting, financial, legal, technical and industry specific skills in the green and renewable businesses that the Group has recently entered into. The Company recognises that diversity in the board room can help the Board see threats and opportunities through the eyes of the Company's different stakeholders and reduce risk of groupthink. The NC, therefore, also takes into account gender diversity in relation to the composition of the Board when inducting new directors. Profiles of the Directors are found in the "Board of Directors" section of this Annual Report. The NC tries to strike a balance of having a good mix of more mature and younger individuals in the make-up of the Board. While gender diversity is a key component that the NC takes into account when appointing new directors, the Board currently comprises a majority of male Directors and one female Director, owing to the specific circumstances when each of the Directors was considered and appointed.

The Directors consider the Board's size and composition as at FY2019 appropriate, taking into account the nature and scope of the Group's operations, the skills and knowledge of the Directors. The Board has sought and obtained written confirmations from each of the Independent and Non-Executive Directors on their independence in accordance with Provision 2.1 of the Code.

2.3 Role of Independent Directors

All Directors have equal responsibility for the Group's operations. However, the role of the Independent and Non-Executive Directors is particularly important in ensuring that all strategies and objectives proposed by Management are constructively and robustly discussed. The Independent Directors meet without the presence of Management when necessary, and they are kept well-informed of the Group's business, prospective deals and potential development. The Independent and Non-Executive Directors participate in and constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of such performance.

3. 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.*

3.1 Chairman

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin was appointed Independent and Non-Executive Chairman on 5 July 2019 to take the helm of the Board. The positions of Chief Executive Officer and Chairman have been kept separate to ensure an appropriate balance of power and authority in the Group, increased accountability, and greater capacity of the Board for independent decision making.

3.2 Role of Chairman, Chief Executive Officer and Lead Independent Director

The Chairman leads the Board in ensuring its effectiveness and approves the agenda of each Board meeting, in consultation with the Chief Executive Officer. The Chairman monitors communications and relations between the Company and its Shareholders, within the Board and between the Board and Management, with a view to encouraging constructive relations and open dialogue amongst them. The Chairman, Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin, is the key contact of the Company where Shareholders can send their concerns to zulkeflimakinudin@gmail.com or prinfo@annica.com.sg.

Led by the Chairman, the Independent Directors meet periodically without the presence of the Executive or Non-Executive Directors and provide feedback to the Chief Executive Officer after such meetings.

In addition to the Chairman, Mr. Su Jun Ming, the chairman of the AC is also our Lead Independent Director. He provides leadership in situations where the Chairman is conflicted. Mr. Su also deputises for the Chairman if he is unavailable to make a board meeting. Mr. Su is also available to Shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

The Chief Executive Officer, in close consultation with all the Board members, is responsible for the long-term business direction and strategy of the Group, the implementation of the Group's corporate plans and policies and executive decision-making. The Chief Executive Officer is assisted by the Company Secretary at all Board meetings and on statutory matters and where necessary, the external auditor of the Company and other external consultants are invited to attend Board meetings to assist the Chief Executive Officer and the other Directors in their deliberations.

The Board is of the view that having three (3) Board Committees, namely, the AC, the RC and the NC together with the Board is generally appropriate and effective for the fulfilment of the Board's roles and responsibilities and adequate safeguards are in place to prevent an uneven concentration of power and authority in a single individual. All major decisions relating to the operations and management of the Group are jointly and collectively made by the Board after taking into account the opinion of all the Directors. As such, there is a balance of power and authority and no single individual controls or dominates the decision-making process of the Group. The Board, taking into consideration the nature, size and scope of the Group's operations and the impact of the number of Directors for effectiveness in decision making, is of the view that the current Board size of six (6) Directors is appropriate for the Company.

4. 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.*

4.1 The NC

The NC comprises three (3) Board members who are entirely Independent and Non-Executive Directors. They are Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin, Mr. Su Jun Ming and Mr. Adnan Bin Mansor. Mr. Adnan Bin Mansor is the Chairman of the NC, and he is not associated with any substantial shareholder of the Company.

The key terms of reference of the NC include:

(a) ensuring that new directors are aware of their duties and obligations;

(b) making recommendations to the Board on all Board appointments. The NC is scheduled to meet at least once a year;

(c) ensuring that Directors appointed to the Board possess the particular experience, knowledge and business, finance and management skills necessary for the Group's businesses, and each Director, through his/her contributions, brings to the Board an independent and balanced perspective to enable balanced and well-considered decisions to be made;

(d) ensuring that there is a formal and transparent process for all new appointments and re-appointments to the Board. Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director.

(e) determining, in consultation with the Board, the selection criteria so as to identify candidates with the appropriate expertise and experience for appointment as new Director. The selection criteria employed by the NC are to ensure that the candidate has either an accounting, legal, financial and/or business background, and, where a specific skill-set is required, the NC will consider candidates who have worked in or has experience in the specific industry, such as the renewable and green industry. The NC would meet and interview the shortlisted candidates to assess their suitability and ensure that the candidates are aware of the expectation and the level of commitment required before making recommendations to the Board for consideration and approval;

(f) having at its disposal the right to engage executive search companies, using its personal contacts and recommendations made to each member in its search and nomination process for the right candidates;

The NC is also responsible for:

- the appointment and/or replacement of the Chairman, the Chief Executive Officer and other key management personnel of the Group;
- the review of training and professional development programs for the Board and each Director;
- the development of a process for evaluation of the performance of the Board, its Board Committees and each Director;
- the nomination of retiring Directors for re-election having regard to the Director's contribution and performance;
- determining on an annual basis whether or not a Director is independent;

- deciding whether a Director, who has multiple board representations, is able to and has adequately carried out his/her duties as Director; and

- making recommendations to the Board on all appointments and re-appointments of Directors (including alternate Directors, if any), including the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board.

The NC, after discussion with the Directors, is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations and principal commitments. When a Director has multiple board representations and/or principal commitments, the NC considers whether the Director is able to and has adequately carried out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and/or principal commitments.

The NC notes that none of the Directors sits on the board of any other listed companies, and save for each of their respective principal commitments to the extent of their respective professions (if applicable), no Director has any other principal commitment. The NC is, therefore, of the view that each Director is able diligently to discharge his/her duties, and there is presently no need to implement internal guidelines on the maximum number of listed company board representations which any Director may hold as the Independent and Non-Executive Directors are assessed holistically based on their total and effective attendance at meetings, performance and contribution to the Company. The NC will continue to review, from time to time, the board representations each Director has to ensure the Directors continue to meet the demands of the Group adequately and discharge his/her duties as a Director of the Company satisfactorily. There are presently no alternate Directors appointed to the Board.

4.2 <u>Board Independence</u>

The independence of each Director is reviewed by the NC with reference to the guidelines set out in the Code. The NC assesses the independence of the Directors annually and as and when circumstances require, taking into consideration any other salient factors. Accordingly, the NC considers Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin and the other two (2) Independent and Non-Executive Directors to be independent in accordance with the criteria spelt out under Provision 2.1 of the Code, and the NC is satisfied that during FY2019, none of the Independent and Non-Executive Directors is deemed to be or can be said to be not independent as a result. No Director of the Company has any relationship with the Company, its related corporations, its substantial shareholders or its officers which may affect their independence.

In accordance with regulation 95 of the Constitution, at each AGM, one-third of the Board shall retire from office by rotation (provided that no director holding office as Chief Executive Officer or Executive Chairman shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire). Each Director who retires by rotation may, if he or she so desires, offer himself or herself for re-election. In determining the number of directors to retire by rotation, persons who were appointed to the Board by the Directors in accordance with Regulation 94 of the Constitution will also not be taken into account. In addition to the regulations of the Constitution, the Catalist Rules mandate that all directors must retire at least once every three years from his/her last re-election or appointment.

In FY2019, the NC met to determine the retirement by rotation and the recommendation for re-appointment of the relevant Directors at the Company's upcoming annual general meeting ("**AGM**"). Mr. Su Jun Ming, an Independent and Non-Executive Director was selected by the NC to retire by rotation, and being eligible for re-appointment, has offered himself for re-election at the AGM. The NC, having considered his contribution to the effectiveness of the Board, has recommended the nomination of Mr. Su Jun Ming for re-election at the forthcoming AGM in accordance with the Constitution.

Ms. Sandra Liz Hon Ai Ling will retire and submit herself for re-appointment at the AGM pursuant to Rule 720(4) of the Catalist Rules, although her retirement and re-appointment shall not be taken into account in determining the number of directors to retire in accordance with the Constitution.

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin and Mr. Shamsol Jeffri Bin Zainal Abidin, having been appointed to the Board on 5 July 2019 and 27 September 2019 respectively, will stand for re-election at the AGM in accordance with the Constitution.

5. BOARD PERFORMANCE

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

5.1 <u>Evaluation of Board Performance</u>

The NC is responsible for deciding how the performance of the Board and the Board committees may be evaluated, proposing objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.

In assessing the performance of the Directors, the NC evaluates each Director (including the Chairman) based on his/her contributions to the Board and the following review parameters:

- attendance at Board and Board Committees meetings;
- participation at meetings;
- ability to carry out his/her duties;
- involvement in assisting and guiding Management;
- availability for consultation and advice, when required; and
- appropriate skill, experience and expertise.

The NC also evaluates the performance and effectiveness of the Board as a whole, taking into account the Board's balance and mix.

The NC evaluates the performance of the Board, Board Committees and individual Directors based on the performance criteria set by the Board. The NC will further decide how the Board's performance may be evaluated and may propose additional performance criteria. Such performance criteria, which allow for comparison with industry peers, will be approved by the Board and will address whether and how the Board has enhanced long-term Shareholders' value. No external facilitator was appointed in connection with such performance evaluation.

The criteria for assessing the Board and Board Committees' performance include composition and size, processes, accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance provided to and communication with Management. The criteria for assessing Director's contribution include, inter alia, the level of contribution to Board meetings, commitment of time, and overall effectiveness. As part of the evaluation process, each Director completes an appraisal form which is then collated by the Company Secretary who submits to the Chairman of the NC in the form of a summary report. The summary report will be discussed during the NC meeting with a view to implementing recommendations made in the assessment.

The NC, having reviewed the overall performance of the Board and the Board Committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and each Director's performance, is of the view that the performance of the Board, each committee and each Director has been satisfactory.

Save for shares in the Company awarded to Directors and Key Management under the Schemes, the details of which are set out in section 7.1 below, none of the Directors hold shares in the subsidiaries of the Company.

(B) REMUNERATION MATTERS

6. 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.*

6.1 <u>The RC</u>

The Company's RC was set up to determine the remuneration of Directors and Management of the Group. The RC comprises three (3) Board members who are entirely Independent and Non-Executive Directors. The RC comprises Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin (who is the RC Chairman), Mr. Su Jun Ming and Mr. Adnan Bin Mansor.

The key terms of reference of the RC include:

(a) recommending to the Board on matters relating to remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind, of the Directors and Management;

(b) reviewing and recommending to the Board the terms (and renewals) of the service agreements of each of the Executive Directors and ensure that such service agreements contain fair and reasonable clauses which are not overly generous or onerous, and that there are appropriate termination clauses;

(c) determining the appropriateness of the remuneration of the Directors; and

(d) considering the disclosure requirements for Directors and Management's remuneration.

The RC meets at least once a year. In its deliberations, the RC takes into consideration the industry practices and norms for remuneration packages. The RC has full authority to obtain independent professional advice on matters relating to remunerations as and when the need arises at the Company's expense. During FY2019, the RC did not engage any remuneration consultant in relation to remuneration matters of the Group.

The RC recommends to the Board, a framework for remunerating the Board and Management, any long-term incentive schemes and determines specific remuneration packages for each Executive Director and Management. No Director is involved in deciding his/her own remuneration.

Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his/her own remuneration package, except for providing information and documents specifically requested by the RC to assist it in its deliberations.

The remuneration package of the Executive Director is based on a service contract. Each Non-Executive Director receives Directors' fees annually, the amount of which is recommended by the Board and subject to Shareholders' approval at each AGM.

7. 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.*

7.1 <u>Level & Mix of Remuneration</u>

The remuneration policy of the Group is to provide compensation packages at market rates that reward successful performance and attract, retain and motivate the Directors to provide good stewardship of the Company and Management to successfully manage the Company for the long term.

The Group's remuneration policy comprises fixed and variable components. The fixed component is in the form of fixed monthly salary whereas the variable component is linked to individual performance and overall performance of the Group, and is aligned with the interests of Shareholders and other stakeholders and promotes the long-term success of the Group. The RC is of the view that the performance conditions have been met given that the performance of the Executive Directors and Management has been satisfactory.

In setting remuneration packages, the RC ensures that Executive Directors and Management are adequately but not excessively remunerated when measured against the industry and to similar and comparable companies. In addition, the RC will perform an annual review of the remuneration of Management as well as employees related to Directors and substantial shareholders of the Company to ensure their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities and experience. They will also review and approve any bonuses, pay increases and/or promotion for Management.

All Non-Executive Directors receive Directors' fees recommended by the Board based on each Non-Executive Director's responsibilities and level of contribution, taking into account factors such as effort, time spent and responsibilities, such as taking the chair of a particular committee. Such fees are subject to approval by Shareholders at each AGM. The Executive Director is not paid a Director's fee. Except as disclosed, the Independent, Non-Independent and Non-Executive Directors do not receive any other remuneration from the Company other than Directors' fees.

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

The Company operates the Schemes (as defined below) as longer-term incentive schemes available to remunerate and reward Management as well as the Directors. Further details on the Schemes are set out in the Company's circular dated 18 August 2016.

As at 31 December 2019, the Company awarded the following Directors and Key Managements share awards ("**Share Awards**") under the Annica Performance Share Plan ("**Share Plan**") as follows:

Name of Director / Officer	Share Awards granted during financial year under review	Aggregate Share Awards granted since commencement of scheme to end of financial year under review
Sandra Liz Hon Ai Ling	0	1,092,619,845
Ong Su Aun Jeffrey	0	81,946,488
Nicholas Jeyaraj s/o Narayanan	0	81,946,488
Su Jun Ming	0	54,630,992
Adnan Bin Mansor	0	54,630,992
Pek Seck Wei	0	54,630,992
Musa Bin Mohamad Sahir	0	54,630,992
Mohd Nor Azmi Bin Nordin	0	54,630,992

As at 31 December 2019, details of options ("**ESOS Options**") awarded under the Annica Employee Share Option Scheme ("**ESOS**") pursuant to Rule 851(1) of the Catalist Rules are as follows:

Name of Participant	ESOS Options granted during financial year under review (including terms)	Aggregate ESOS Options granted since commencement of scheme to end of financial year under review	Aggregate ESOS Options exercised since commencement of scheme to end of financial year under review	Aggregate ESOS Options outstanding as at end of financial year under review
Looi Kok Soon	0	12,500,000	0	12,500,000
Muhammad Hatta Bin Sukarni	0	12,500,000	0	12,500,000

Save as disclosed above, no other ESOS Options or Share Awards were granted to:

(a) Directors, Key Management and/or employees of the Company and/or its subsidiaries, and/or their respective associates; or

(b) the controlling shareholder of the Company and/or his associates,

under each of the ESOS and the Share Plan. No ESOS Option was granted at a discount.

Aside from Sandra Liz Hon Ai Ling, there were no other participants who received 5% or more of the total number of ESOS Options or Share Awards available under the ESOS or the Share Plan respectively since the commencement of the Schemes. All the ESOS Options granted shall only be exercisable at any time after the 1st anniversary from the date of their grant on 27 December 2018 until the 10th anniversary of the date of grant.

8. 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.*

8.1 Disclosure of Directors' Remuneration

A breakdown showing the level and mix of remuneration of each Director for FY2019 is as follows:

Remuneration Band and Name of Director	Salary %	Bonus %	Directors' fee %	Allowances and benefits in kind %	Total %
$499,999 to $1,000,000 and above					
None	–	–	–	–	–
$250,000 to $499,999					
None	–	–	–	–	–
Below $250,000					
Ong Su Aun Jeffrey (resigned with effect from 20 May 2019)	–	–	**97**	**3**	**100**
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin (appointed on 5 July 2019) *Director, Panah Jaya Services Sdn. Bhd.*	–	–	**97**	**3**	**100**
Sandra Liz Hon Ai Ling *Director, P.J. Services Pte Ltd* *Director, Industrial Engineering Systems Pte. Ltd.* *Director, Panah Jaya Services Sdn. Bhd.* *Director, Cahya Suria Energy Sdn. Bhd.* *Director, HT Energy (S) Sdn. Bhd.* *Director, IES Engineering Systems Sdn. Bhd.*	**77**	**6**	–	**17**	**100**
Nicholas Jeyaraj s/o Narayanan (resigned with effect from 29 April 2019) *Director, P.J. Services Pte Ltd* *Director, Industrial Engineering Systems Pte. Ltd.*	–	–	**94**	**6**	**100**
Lim In Chong *Director, P.J. Services Pte Ltd* *Director, Industrial Engineering Systems Pte. Ltd.*	–	–	**96**	**4**	**100**
Shamsol Jeffri Bin Zainal Abidin (appointed on 27 September 2019) *Director, Industrial Engineering Systems Pte. Ltd.* *Director, IES Engineering Systems Sdn. Bhd.*	–	–	**97**	**3**	**100**
Su Jun Ming	–	–	**97**	**3**	**100**
Adnan Bin Mansor *Director, Panah Jaya Services Sdn. Bhd.* *Director, Cahya Suria Energy Sdn. Bhd.* *Director, Renosun International Sdn. Bhd.* *Director, HT Energy (S) Sdn. Bhd.*	–	–	**95**	**5**	**100**

8.2 Key Management Remuneration

The Group has four (4) key management executives who formed the Management and their level and mix of remuneration for FY2019 are set out below:

Remuneration Band and Name of Key Management Executive	Salary %	Bonus %	Allowances and benefits in kind %	Total %
$499,999 to $1,000,000 and above				
None	–	–	–	–
$250,000 to $499,999				
None	–	–	–	–
Below $250,000				
Pek Seck Wei *Director, Industrial Engineering Systems Pte. Ltd.* *Director, IES Engineering Systems Sdn. Bhd.* *Director, Cahya Suria Energy Sdn. Bhd.* *Director, Renosun International Sdn. Bhd.*	**85**	**8**	**7**	**100**
Musa Bin Mohamad Sahir *Managing Director, P.J. Services Pte Ltd* *Director, Panah Jaya Makmur Sdn. Bhd.*	**73**	**6**	**21**	**100**
Muhammad Hatta Bin Sukarni *Director, HT Energy (S) Sdn. Bhd.*	**88**	–	**12**	**100**
Looi Kok Soon *Director, Renosun International Sdn. Bhd.*	–	–	–	–

In aggregate, the total remuneration paid to Management during FY2019 was $307,413. Other than as disclosed above, the Group does not have any other key employees who are not Directors and/or Management.

Other than the claim made by Mr. Edwin Sugiarto ("**Claims by Edwin**"), a former employee of the Group, in respect of a termination/non-compete clause as announced on 13 June 2019, there are no termination, retirement and any post-employment benefits that would accrue or be due to any Director or Management upon their termination, dismissal or retirement from the Group. For more information on the Claims by Edwin, please see section 38 of page 128.

The RC has recommended that the Independent, Non-Independent and Non-Executive Directors be paid an aggregate sum of $211,018 (which includes a sum of $22,685 being Director's fee accrued and payable to Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin for the period from July 2019 to 31 December 2019 and $9,333 being Director's fee accrued and payable to Mr. Shamsol Jeffri Bin Zainal Abidin from September 2019 to 31 December 2019) for the financial year ending 31 December 2020, payable quarterly in arrears, as Director's fees, which will be tabled at the forthcoming AGM for approval by the Shareholders. If approved, payments would be made after the AGM. The sum was arrived at after taking into consideration the contributions, responsibilities and efforts of the current Non-Executive Directors. As at FY2019, the outstanding Directors' fees amounted to $204,217.

The aggregate remuneration and the remuneration details of the Directors and Management (in bands of $250,000 and in terms of percentage mix of remuneration and on a named basis) are disclosed in this CG Report. As satisfactory disclosure has been made in this CG Report as well as in the financial statements of the Company, in view of confidentiality, the Board is of the opinion that it is not in the best interests of the Company to disclose the exact remuneration of the Directors and Management due to the sensitive nature of this information and to prevent solicitation of Management personnel by the Company's competitors.

There is no employee in the Group who is an immediate family member of a Director, the Chief Executive Officer ("**CEO**") or a substantial shareholder of the Company and whose remuneration exceeded $100,000 during FY2019.

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, each Director or controlling shareholder, which were either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

At an extraordinary general meeting of the Company held on 2 September 2016, Shareholders approved the adoption of the Annica Performance Share Plan and the Annica Employee Share Option Scheme (collectively, the "**Schemes**") for the granting of non-transferrable share awards and options to full-time employees, as well as Executive Directors and Non-Executive Directors of the Company and its subsidiaries ("**Participants**"). The Schemes operate to attract, retain and provide long-term incentives to Participants to encourage greater dedication and loyalty by enabling the Company to give recognition for past contributions and services as well as motivating Participants generally to contribute towards the Group's long-term success. Under the Schemes, the Company may grant options to Participants to subscribe for shares in the Company and/or share awards provided that the aggregate number of shares to be issued pursuant to the Schemes shall not exceed 15% of the issued shares of the Company from time to time.

The Schemes are administered by the Performance Share Plan Committee comprising Ms. Sandra Liz Hon Ai Ling, Executive Director and Chief Executive Officer, and the RC.

Please see section 7 and the table appended below the section for shares awarded under the Schemes. Further details on the Schemes are set out in the Company's circular dated 18 August 2016.

(C) ACCOUNTABILITY AND AUDIT

9. 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*

9.1 <u>Risk Management</u>

The Board is responsible for the governance of risks and works with the AC, its internal and external auditors and Management in identifying and managing risks. The Board has directed Management to implement and maintain a system of internal control policies and procedures which is recommended by the internal auditor and reviewed by the AC. The AC oversees and monitors the implementation of any improvements and reviews the adequacy and effectiveness of the internal control system annually.

Taking into consideration the system of internal controls that is in place, the Board determines and directs Management on the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

9.2 Internal Controls

While the Board acknowledges that it is ultimately responsible for maintaining a sound system of internal control framework, it recognises that no cost-effective internal control system will preclude all errors and irregularities and can provide only reasonable and not absolute assurance against material misstatement or loss. Furthermore, the Board also acknowledges that no system of internal controls and risk management can provide absolute assurance in this regard or assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has not constituted a separate Risk Management Committee but has in FY2019 outsourced its internal audit function to an independent assurance service provider, namely Yang Lee & Associates. Internal audit was carried out on P.J. Services Pte Ltd and Panah Jaya Services Sdn. Bhd. on an agreed scope of work with the AC.

The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

The controls in place include:

- internal audit by the Company's internal auditor on an agreed scope of audit;
- external audit carried out by the Company's external auditor;
- regular submissions, on a quarterly basis, by Management of updated financial information of operating business units, and if necessary, follow-up meetings with Management on any irregular or extraordinary expenses;
- regular submissions, either on a monthly or quarterly basis, by Management of operating milestones of the respective business units and, if necessary, follow-up meetings with Management on any milestones not achieved;
- half-yearly meetings with the external auditor to review the financial statements of the operating businesses of the Group; and
- assurance from the Company's Chief Executive Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the internal control policies and procedures established and maintained by the Group are adequate and effective.

In this regard, as the Company does not currently have a Chief Financial Officer, the Group's finances are managed by the CEO and the AC collectively.

The Board confirms that it has received assurance from (a) the CEO 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 Management collectively regarding the effectiveness of the Company's risk management and internal control systems.

Based on (i) work performed by the Company's internal and external auditors; (ii) the system of internal controls implemented by Management; (iii) assurance and confirmation from the Executive Director and Chief Executive Officer, and (iv) assurance and confirmation from relevant Management personnel, the Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risks management system as at 31 December 2019, and the AC is also satisfied that the internal audit function is independent, effective and adequately resourced.

In a letter from the Singapore Exchange Regulation ("**SGX RegCo**") dated 6 February 2020 (and in view of the revised Rule 705(2)), SGX RegCo informed the Company that it is required to start performing quarterly reporting with effect from 7 February 2020 in view of the modified opinion and expression of a material uncertainty relating to going concern issued by the Company's external auditor in the Company's FY2018 annual report. Pursuant to Rule 705(2A), the Company is, however, given a grace period of one year to comply with the revised quarterly reporting requirement, such grace period commencing on which the condition in Rule 705(2) is met. Therefore, the Company is required to report its first set of quarterly financial statements for its third quarter financial period from July 2021 to September 2021 by 14 November 2021. For better governance and disclosure, the Company will also provide (a) updates on efforts taken to resolve each outstanding audit issue and (b) confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

9.3 Whistle-blowing Policy

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from reprisals or victimisation for whistle-blowing in good faith. Cases that are significant are objectively investigated by the AC and appropriate remedial measures are taken where warranted to correct weaknesses in the existing internal control system, so as to prevent a recurrence. For more information on the whistle-blowing policy, please refer to the section entitled 7.7 of the Sustainability Report on page 22.

10. AUDIT COMMITTEE

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

10.1 The AC

The AC comprises Mr. Su Jun Ming (who is Chairman of the AC), Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin and Mr. Adnan Bin Mansor.

The AC performs its functions in accordance with Section 201B(5) of the Companies Act and the requirements of the Catalist Rules. The AC is made up of three (3) Board members who are all Independent and Non-Executive Directors and who constitute half of the members of the Board. The Chairman of the AC has recent and relevant accounting and finance related expertise and experience, while the other two members have technical, legal and business expertise and experience, and are able to understand financial statements. The Board is of the view that the AC as currently composed has sufficient accounting or financial management expertise to discharge its functions. No former partner or director of the Company's current external auditor is a member of the AC.

The AC assists the Board to maintain a standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, the management of financial and control risks, and monitoring the internal control systems.

The key terms of reference of the AC include:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

(c) reviewing the assurance from the CEO on the financial records and financial statements;

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditor; and (ii) the remuneration and terms of engagement of the external auditor;

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

The AC has power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC has been given full access to and has the full cooperation of Management, and has reasonable resources to enable it to discharge its functions properly.

For FY2019, the AC has met up with the external auditor twice without the presence of Management. Changes to accounting standards and accounting issues, if any, which have a direct impact on the financial statements are reported to the AC, and highlighted by the external auditor in their meetings with the AC.

For FY2019, the AC also reviewed with the external auditor its findings on the existence and adequacy of material accounting internal control procedures as part of its audit. Where the Company enters into a material investment or transaction (outside of its ordinary course of business) (if any), it will work with the external auditor and/or appoint a financial advisor (if necessary) to ensure that adequate procedures have been followed to provide assurance on valuation and key terms of any such material investment or transaction. As part of its work and oversight, the AC obtains regular updates from Management on the achievement of milestones and progress of the Company's projects, and recommends remedial action where required. The Company will also seek shareholders' approval, where required, for transactions outside the ordinary course of business.

The AC reviews the scope and work performed by the external auditor. The AC has also undertaken a review of all non-audit services rendered by the external auditor and is satisfied that these non-audit services would not affect the independence and objectivity of the external auditor. The aggregate amount of audit fees and non-audit fees paid and/or payable to the auditor, Baker Tilly TFW LLP, for FY2019 amounted to $170,000 and $14,000 respectively.

Please see Independent Auditor's Report on pages 55 to 58 for the Key Audit Matters.

The AC recommends to the Board the re-appointment of Baker Tilly TFW LLP as the external auditor of the Company at the forthcoming AGM.

The Company has complied with Rules 712, 715 and 716 of the Catalist Rules in relation to the appointment of the external auditor for the Company and its subsidiaries. Please refer to Note 11 of the financial statements on pages 89 and 90 for the names of the auditors of the Company's subsidiaries.

The AC is responsible for the appointment, termination and remuneration of the internal auditor and the internal auditor reports directly to the AC. The internal auditor has unfettered access to all of the Company's documents, records, properties and personnel, including the AC, and enjoys good standing and cooperation within the Company. For FY2019, internal audit was performed at the subsidiary level and the AC has met with the internal auditor twice with the presence of Management of the Company, but without the presence of the management of the subject subsidiaries.

During FY2019, the AC reviewed the report on internal audit findings by the internal auditor and recommended to the Board to direct Management to adopt all policies and procedures proposed by the internal auditor.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

11. SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

11.1 Shareholders' Rights

All Shareholders are treated fairly and equitably. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules, the Companies Act and the Code, the Board's policy is that all Shareholders should be regularly informed in a comprehensive and timely manner of all material developments that impact the Group.

The Company believes in regular and prompt communication with Shareholders and in providing clear and fair disclosure of information on major developments and financial performance of the Company.

Shareholders are informed of general meetings through notices contained in the annual reports or circulars sent to all Shareholders. These notices are also published in the newspapers and posted onto the SGXNET. Shareholders are encouraged to attend and participate at general meetings. Resolutions are passed by way of voting on a poll, i.e., one share entitles its holder to one vote.

11.2 Conduct of General Meetings

The rules of the conduct of any general meeting and poll voting are explained to the attending Shareholders prior to commencement of the meeting and voting, respectively.

All Directors attend general meetings, and the external auditor are also present at the annual general meeting of the Company to address Shareholders' queries about the conduct of the audit and the preparation and content of the report.

As explained in paragraph 11.1 above, all resolutions are passed via voting on a poll. For each subject matter, a separate resolution is proposed, unless there are different issues linked to the one subject matter, which are bundled into one resolution. If there is a bundled resolution, the Company will explain and clarify in an explanatory note appended to the notice of meeting the reason for the bundled resolution and its implication for Shareholders when they vote on the bundled resolution.

Results of all resolutions passed are announced immediately before the conclusion of the general meeting after a scrutineer engaged by the Company has tallied the all votes and confirms the results.

The constitution of the Company allows the Directors to approve and implement (at their sole discretion), subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Shareholders who are unable to vote in person at any general meeting the option to vote in *absentia*, including but not limited to voting by mail, electronic mail or facsimile.

Minutes of all general meetings, including substantive comments and queries from Shareholders relating to the agenda of the general meeting and the response from the Board or Management are currently available to Shareholders upon their request. In FY2020, the Company will commence publishing such minutes on their corporate website.

11.3 Dividend Policy

The Company does not currently have a fixed dividend policy as it is still very much at the stage of streamlining its current businesses and developing its new renewable energy business. Shareholders are encouraged to read the Company's announcements (www.sgx.com.sg) on its early stage renewable energy projects in Malaysia.

For FY2019, no dividend has been declared as the Company is not in an accumulated profit position.

12. 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 strives to engage with Shareholders as often as practicable by way of its public announcements on the SGX-NET and general meetings. The Company is committed to provide Shareholders with material information in a timely and transparent manner. The Company's policy is that all Shareholders are informed at the same time of all major developments and, as soon as practicable, subject to the requirements of the Catalist Rules and confidentiality provisions relating to transactions with third parties.

The Company usually makes a presentation of its financial and operational position at the start of each annual general meeting and the Board takes questions from Shareholders regarding any concern they may have. At the current time, as the Company is still in the midst of streamlining its current businesses and embarking on its renewable energy business in Malaysia, it has not conducted investor relations presentations, although Shareholders may contact the Company with their questions via prinfo@annica.com.sg. In FY2020, as the Company ramps up its renewable energy business, it will start to implement an investor relations policy which allows for an ongoing exchange of views (as far as practicable) to engage and promote regular, effective and fair communication with Shareholders.

Shareholders are provided with an assessment of the Company's performance, position and prospects through annual reports (which are issued within the mandatory period and all Shareholders receive the annual report and the notice of general meetings), and half-yearly and full-year results announcements and other ad-hoc announcements via the SGXNET. The Company does not practice selective disclosure. In FY2020, as mentioned above in section 9.2, the Company will commence reporting its quarterly financial results.

The Company did not conduct any analysts' briefings, investors' briefings, or shareholder or investor relation events for FY2019, although the Company may elect to perform such activity or activities going forward. The Company has, rather, made use of general meetings to communicate with Shareholders to understand their views.

13. MANAGING STAKEHOLDERS RELATIONSHIPS

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.*

13.1 Engagement with Stakeholders

The Company's material stakeholders are employees, customers, contractors, vendors, government and regulators, community, Shareholders and potential investors. It uses a variety of tools such as share schemes, fair-dealing policies, a robust system of internal controls, announcements via the SGX-NET, general meetings and presentations to engage with these material stakeholders.

The sustainability report issued by the Company in conjunction with its annual report discloses its key strategy and key areas of focus in maintaining its relationships with these stakeholders during the period under review. The Company also has a current corporate website to augment communication and engagement with these stakeholders.

(E) OTHER INFORMATION

14. DEALINGS IN THE COMPANY'S SECURITIES

In compliance with the Catalist Rules on Dealing in Securities, the Group has put in place an internal code on the restrictions or prohibitions on dealings in the shares of the Company and the implications on insider trading.

The internal code prohibits Directors and Management and their connected persons from dealing in the shares of the Company during the period commencing one month before the announcement of the Company's full-year and half-year results and ending on the date of announcement of the relevant results; and at any time while in possession of material unpublished price-sensitive information. When the Company commences quarterly reporting, the prohibition from dealing in the shares of the Company will also be applied during the period commencing two weeks before the announcement of the Company's quarterly results (for each of the first three quarters of its financial year) and ending on the date of announcement of its quarterly results.

In addition, Directors and Management and their connected persons are reminded to observe insider trading laws at all times and they are also directed to refrain from dealing in the shares of the Company on short-term considerations.

Directors are required to report securities dealings to the Company Secretary who will assist in making the necessary public announcements.

15. INTERESTED PERSON TRANSACTIONS

All interested person transactions are subject to review by the Board and the AC.

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and the transactions are carried out on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The Company does not have a general mandate from Shareholders in respect of any interested person transactions. There were no interested person transactions, as defined in Chapter 9 of the Catalist Rules, entered into by the Group or the Company during FY2019.

16. CORPORATE SOCIAL RESPONSIBILITY

The Board believes that effective corporate social responsibility can deliver benefits to the Group's business and, in turn, to Shareholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term Shareholders' value.

Every employee of the Group is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Group is held to the same standard in its compliance with all applicable legal and regulatory requirements.

17. SUSTAINABILITY REPORTING

Catalist Rule 711A requires every listed issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with reference to the primary components set out in Catalist Rule 711B on a 'comply or explain' basis. Practice Note 7.6 contains the Sustainability Reporting Guide, which provides guidance on the expected structure and contents and the preparation of the sustainability report.

Sustainability reporting disclosure does not detract from the issuer's obligation to disclose any information that is necessary to avoid the establishment of a false market in the issuer's securities or would be likely.

The Sustainability Report for FY2019 is found in pages 9 to 26 of this Report.

18. MATERIAL CONTRACTS

There were no material contracts of the Group, including loans, involving the interests of any Director or the controlling Shareholder either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the financial year ended 31 December 2018, being the immediate preceding financial year.

19. NON-SPONSOR FEES

In compliance with Rule 1204(21) of the Catalist Rules, the fees paid/payable to the Company's continuing Sponsor, Stamford Corporate Services Pte. Ltd., during FY2019 for sponsor services amounted to $210,070. No non-sponsor fees were paid to the Sponsor during FY2019.

20. USE OF PROCEEDS FROM THE GRANT OF OPTIONS SHARES TO AN INVESTOR

Under the option agreement dated 11 February 2016, the Company had issued transferable share options to Lim In Chong ("**Mr Lim**") with such options carrying the right to subscribe for up to 5,000,000,000 option shares ("**Option Shares**") in the Company at a minimum exercise price of $0.001, of which the Company will raise an amount of up to $5,000,000.

The Company had on 1 April 2019 received notice of the transfer by Mr Lim of 500,000,000 Options (the "**Transferred Options**") to Shamsol Jeffri Bin Zainal Abidin (the "**Transferee**"). Following the transfer of the Transferred Options, Mr Lim holds 4,500,000,000 remaining Options. The Company had on the same day received notice from the Transferee of his intention to exercise all the Transferred Options for the total sum of $500,000 (the "**Exercise Price**" or "**Option Proceeds**").

The Company had, on 19 April 2019, received the Exercise Price in full from the Transferee and accordingly, the Company had allotted and issued 500,000,000 new shares ("**New Shares**"), representing 2.99% of the Enlarged Share Capital of the Company, to the Transferee on 22 April 2019 pursuant to the exercise of the Transferred Options under the Option Agreement. The utilisation of the Option Proceeds is as follows:

	Amount	**Percentage of Option Proceeds**
Purpose	**$'000**	**%**
Funding for new business expansions and development	59	12
Group's general working capital (Note (a))	441	88
Total	500	100

Notes:

(a) Funds used for the Group's general working capital were for payments to suppliers and operating expenses including staff salaries and professional fees.

The use of the above Option Proceeds is consistent with the use of proceeds for the Option Shares as disclosed in the Company's circular to Shareholders dated 12 July 2016. The last date for the exercise of the outstanding Options is 24 April 2020. Upon expiry of the Options Shares, unexercised Options shall lapse and become null and void pursuant to the Option Agreement as announced on 24 March 2020. For more information on the grant of Option Shares, please refer to Note 20(iii) of the financial statements accompanying this annual report.

Except as disclosed above, there were no other outstanding proceeds raised from IPO or any offerings pursuant to Chapter 8 of the Catalist Rules at the end of FY2019 and no other proceeds have been raised since the end of the previous financial year.

DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited consolidated financial statements of Annica Holdings Limited (the "**Company**") and its subsidiary corporations (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the Directors:

(a) the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 59 to 130 are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, after considering the measures taken by the Group and the Company with respect to the Group's and the Company's ability to continue as going concerns as described in Note 4.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin	-	Independent and Non-Executive Chairman (Appointed on 5 July 2019)
Sandra Liz Hon Ai Ling	-	Executive Director and Chief Executive Officer
Lim In Chong	-	Non-Independent and Non-Executive Director
Shamsol Jeffri Bin Zainal Abidin	-	Non-Independent and Non-Executive Director (Appointed on 27 September 2019)
Su Jun Ming	-	Lead Independent and Non-Executive Director
Adnan Bin Mansor	-	Independent and Non-Executive Director

Arrangements to enable Directors to acquire benefits

At the end of the financial year to which these audited consolidated financial statements relate, the Company was not a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, debentures or convertible securities of the Company or any other body corporate except as disclosed below.

Directors' interests in shares and convertible securities

As at the end of the financial year to which these audited financial statements relate, the following Directors of the Company 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 Act, an interest in shares, share options and debentures of the Company and related corporations as follows:

	Shareholdings registered in the name of director		
Name	**At 1.1.2019/ Date of appointment**	**At 31.12.2019**	**At 21.1.2020**
Lim In Chong	3,504,878,770	2,904,878,770	2,904,878,770
Shamsol Jeffri Bin Zainal Abidin	1,300,000,000	1,520,000,000	1,520,000,000
Sandra Liz Hon Ai Ling	1,092,619,845	1,092,619,845	1,092,619,845
Su Jun Ming	54,630,992	54,630,992	54,630,992
Adnan Bin Mansor	54,630,992	54,630,992	54,630,992
Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin	–	–	–

By virtue of Section 7 of the Act, the director, Lim In Chong is deemed to have an interest in the shares held by the Company in all of its wholly-owned subsidiary corporations.

Directors' interest in shares and convertible securities (cont'd)

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

Name of Director	Number of Shares Options At 1.1.2019	At 31.12.2019
Lim In Chong	5,000,000,000	4,500,000,000

Share options

On 11 February 2016, the Company entered into an option agreement ("**Option Agreement**") with Lim In Chong whereby the Company issued an aggregate of 5,000,000,000 transferable share options ("**Options**") with each option carrying the right to subscribe for one (1) new ordinary share of the Company ("**Option Shares**") at a minimum exercise price of $0.001 per Option Share to raise an aggregate amount of up to $5,000,000. The validity of the Options granted under the Option Agreement is until 24 April 2020, after which they will expire and be no longer exercisable by their holder(s). The Option Agreement does not entitle the holder of the Option Shares to participate in any share issue of any other company within the Group. Lim In Chong, therefore, has an interest in the 5,000,000,000 share options granted to him.

On 1 April 2019, the Company received a notice of transfer from Lim In Chong for the transfer of 500,000,000 Options (the "**Transferred Options**") to Shamsol Jeffri Bin Zainal Abidin (the "**Transferee**"). Following the transfer of the Transferred Options, Lim In Chong holds 4,500,000,000 remaining Options. On the same day, the Company received a notice of exercise from the Transferee for the exercise of all of the Transferred Options for the total sum of $500,000 (the "**Exercise Price**").

On 19 April 2019, the Company received the Exercise Price in full from the Transferee and accordingly, the Company allotted and issued 500,000,000 new ordinary shares, representing 2.99% of the enlarged share capital of the Company, to the Transferee on 22 April 2019. The 500,000,000 new ordinary shares were listed and quoted on the SGX-ST on 24 April 2019.

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

Annica Performance Share Plan

On 2 September 2016, shareholders of the Company approved the adoption of the Annica Performance Share Plan ("**Share Plan**") and the Annica Employee Share Option Scheme ("**ESOS**") (collectively, the "**Schemes**"). The aggregate number of new ordinary shares of the Company that may be issued under the Schemes shall not exceed in aggregate 15% of the total number of issued ordinary shares of the Company from time to time.

On 27 December 2018, the Company granted 1,529,667,781 shares ("**Share Awards**") under the Share Plan as set out in the table below:

Name	Date of Award	Number of Shares awarded	Vesting Date
Sandra Liz Hon Ai Ling	27 December 2018	1,092,619,845	27 December 2018
Ong Su Aun Jeffrey	27 December 2018	81,946,488	27 December 2018
Nicholas Jeyaraj s/o Narayanan	27 December 2018	81,946,488	27 December 2018
Su Jun Ming	27 December 2018	54,630,992	27 December 2018
Adnan Bin Mansor	27 December 2018	54,630,992	27 December 2018
Pek Seck Wei	27 December 2018	54,630,992	27 December 2018
Musa Bin Mohamad Sahir	27 December 2018	54,630,992	27 December 2018
Mohd Nor Azmi Bin Nordin	27 December 2018	54,630,992	27 December 2018

Annica Performance Share Plan (cont'd)

The Share Awards issued under the Share Plan are new ordinary shares, ranking pari passu with all other issued shares of the Company. The Shares have vested as of the date of their issue on 27 December 2018. The Shares granted under the Share Plan entitled the recipients set out above only to new ordinary shares issued by the Company.

On 27 December 2018, the Company also granted 42,500,000 shares options under the ESOS ("**ESOS Options**") details of which are as set out below:

Name	**Number of ESOS Options Granted**
Muhammad Hatta Bin Sukarni	12,500,000
Looi Kok Soon	12,500,000
Other Employees	17,500,000
Total	**42,500,000**

(a)	Date of grant of ESOS Options	27 December 2018
(b)	Exercise Price of ESOS Options granted	$0.001 per Share
(c)	Number of Shares comprised in the ESOS Options granted	42,500,000
(d)	Number of Shares comprised in the Options granted to each Director and controlling shareholders (and each of their associates)	None
(e)	Market Price of the Shares on the Date of Grant	$0.001
(f)	Validity period of the ESOS Options	28 December 2019 - 27 December 2028 (both dates inclusive) Options shall only be exercisable after the 1st anniversary from the Date of Grant and shall be exercised before the 10th anniversary of the Date of Grant.

There were no ESOS Options being exercised by any of the employees listed above as at 31 December 2019.

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act. The functions performed are detailed in the Corporate Governance Report, as set out in the Annual Report of the Company.

Independent auditor

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

On behalf of the Directors

Sandra Liz Hon Ai Ling
Director

Su Jun Ming
Director

13 April 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Annica Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 59 to 130, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Qualified Opinion

1. Consideration due from disposal of a subsidiary ("**GPE**") from Ms Chong Shin Mun (the "**Purchaser**") (Note 7)

   As at 31 December 2019, consideration due from the disposal of GPE Power Systems (M) Sdn. Bhd. ("**GPE**") amounted to $1,212,000 (2018: $1,600,000).

   During the current financial year, certain rights of control and sale of the Company's shares owned by the Purchaser ("**Controlled Shares**") were received as partial settlement of the balance outstanding. Subsequent to year end, as disclosed in Note 39(b), the Group and Company received $50,000 from the sale of Controlled shares. As disclosed in Note 39(b), in March 2020, 62,670,000 Further Controlled Shares were received from the Purchaser.

   The balance consideration (including interest and other costs, charges and expenses incurred by the Company) due from the disposal is secured by a charge over shares of a private limited company and personal guarantee of a related party of the Purchaser. Management has assessed that no allowance for impairment loss is required on the balance due from the Purchaser. We are unable to obtain sufficient appropriate audit evidence with respect to the amounts of cash flows that can be received by the Group and the Company from the shares pledged and the personal guarantee. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no allowance for impairment loss is required with respect to the above receivable.

   Our audit opinion on the consolidated financial statements and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018 was also qualified in respect of the consideration due from disposal of GPE.

2. Loan to a former subsidiary (GPE) and Amount due from a former subsidiary (GPE) (Note 7)

   As at 31 December 2019, loan to a former subsidiary (GPE) and amount due from a former subsidiary (GPE) amounted to $2,666,000 (2018: $2,560,000) and $300,000 (2018: $300,000) respectively. During the current financial year, GPE defaulted on its loan repayment schedule.

   As disclosed in Note 39(a), in January 2020, the Group and Company received shares of the Company valued at $100,000 towards satisfying the overdue payments as at 31 December 2019. In March 2020, the Group and Company received cash of $30,000 in accordance with the repayment schedule. Management has assessed that no allowance for impairment loss is required on the outstanding balances in the current financial year.

   We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves that no allowance for impairment loss is required with respect to the above receivables as the latest financial information of GPE is not available to us at the date of this report. We are also unable to obtain sufficient appropriate audit evidence with respect to the cash flows that can be received by the Group and the Company in settlement of the receivables.

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

***Basis for Qualified Opinion* (cont'd)**

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

Material Uncertainty Related to Going Concern

We draw attention to Note 4.1 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2019, the Group reported a net loss of $367,000 (2018: $3,845,000) and reported net cash used in operating activities of $266,000 (2018: $793,000), and the Company reported a net loss of $987,000 (2018: $3,230,000). At 31 December 2019, the Company's current liabilities exceeded its current assets by $625,000.

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in Note 4.1 to the financial statements, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not qualified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2019 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. As described in the Basis for Qualified Opinion section, we are unable to obtain sufficient appropriate audit evidence with respect to the expected credit loss of the balance consideration due from the disposal of GPE, loan to GPE and amount due from GPE. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to be communicated in our report.

Emphasis of Matter

We draw your attention to Note 37 to the financial statements which describes the investigations by the Commercial Affairs Department.

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2019

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

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

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

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

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

Report on other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

13 April 2020

STATEMENTS OF FINANCIAL POSITION

At 31 December 2019

	Note	Group			Company	
			(Restated)	(Restated)		
		31.12.2019	31.12.2018	1.1.2018	**2019**	2018
		$'000	$'000	$'000	**$'000**	$'000
ASSETS						
Current assets						
Cash and cash equivalents	5	**1,286**	2,067	2,905	**54**	54
Fixed deposits	6	**324**	274	271	**–**	–
Trade and other receivables	7	**4,542**	4,187	6,755	**1,908**	2,468
Inventories	8	**275**	84	226	**–**	–
Financial assets at fair value through profit or loss	9	**7**	8	21	**7**	8
		6,434	6,620	10,178	**1,969**	2,530
Non-current assets						
Trade and other receivables	7	**2,446**	2,400	60	**2,611**	2,400
Investments in subsidiaries	10	**–**	–	–	**2,151**	2,151
Investment in an associate	11	**–**	–	–	**–**	–
Available-for-sale financial assets		**–**	–	1	**–**	–
Financial assets at fair value through profit or loss	9	**2**	97	–	**96**	96
Property, plant and equipment	12	**223**	347	1,592	**20**	47
Right-of-use assets	13	**378**	–	–	**56**	–
Intangible asset	14	**36**	–	1,020	**–**	–
Deferred income tax assets	19	**–**	1	2	**–**	–
		3,085	2,845	2,675	**4,934**	4,694
Total assets		**9,519**	9,465	12,853	**6,903**	7,224
LIABILITIES						
Current liabilities						
Trade and other payables	15	**3,101**	1,971	3,077	**1,750**	1,164
Borrowings	16	**727**	950	3,997	**844**	940
Current income tax liabilities		**37**	115	236	**–**	–
Contract liabilities	18	**868**	1,466	322	**–**	–
		4,733	4,502	7,632	**2,594**	2,104
Non-current liabilities						
Trade and other payables	15	**171**	–	–	**171**	–
Borrowings	16	**96**	604	428	**3**	537
Provision for employee benefits	17	**105**	93	90	**–**	–
Deferred income tax liabilities	19	**31**	22	115	**–**	–
		403	719	633	**174**	537
Total liabilities		**5,136**	5,221	8,265	**2,768**	2,641
Net assets		**4,383**	4,244	4,588	**4,135**	4,583
EQUITY						
Share capital	20	**67,801**	67,301	63,274	**67,801**	67,301
Accumulated losses		**(61,698)**	(61,243)	(57,193)	**(63,755)**	(62,768)
Other reserves	21	**(1,780)**	(1,824)	(1,906)	**89**	50
Equity attributable to equity holders of the Company		**4,323**	4,234	4,175	**4,135**	4,583
Non-controlling interests		**60**	10	413	**–**	–
Total equity		**4,383**	4,244	4,588	**4,135**	4,583

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	**2019** **$'000**	2018 $'000
Continuing operations			
Revenue	22	**9,081**	6,077
Cost of sales		**(5,542)**	(3,986)
Gross profit		**3,539**	2,091
Other income	23	**562**	136
Interest income	23	**205**	37
Selling and distribution expenses		**(291)**	(282)
Administrative and general expenses		**(3,973)**	(5,210)
Other expenses	24	**(320)**	(526)
Finance costs	25	**(34)**	(163)
Share of loss in associate		**–**	(2)
Loss before tax from continuing operations	26	**(312)**	(3,919)
Income tax expense	27	**(55)**	(119)
Loss from continuing operations, net of tax		**(367)**	(4,038)
Discontinued operation			
Profit from discontinued operation, net of tax	28	**–**	193
Loss for the financial year		**(367)**	(3,845)
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**5**	(44)
Reclassification of currency translation differences from equity on disposal of a subsidiary to profit or loss		**–**	40
Other comprehensive income/(loss) for the financial year, net of tax		**5**	(4)
Total comprehensive loss for the financial year		**(362)**	(3,849)
Total (loss)/profit attributable to:			
Equity holders of the Company		**(455)**	(3,967)
Non-controlling interests		**88**	122
		(367)	(3,845)
(Loss)/profit attributable to:			
Equity holders of the Company			
Loss from continuing operations, net of tax		**(455)**	(4,047)
Profit from discontinued operation, net of tax		**–**	80
Loss for the financial year attributable to equity holders of the Company		**(455)**	(3,967)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	**2019** **$'000**	2018 $'000
Profit attributable to:			
Non-controlling interests			
Profit from continuing operations, net of tax		**88**	9
Profit from discontinued operation, net of tax		**–**	113
Profit for the financial year attributable to non-controlling interests		**88**	122
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(450)**	(3,968)
Non-controlling interests		**88**	119
		(362)	(3,849)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company			
Total comprehensive loss from continuing operations, net of tax		**(450)**	(4,091)
Total comprehensive income from discontinued operation, net of tax		**–**	123
Total comprehensive loss for the financial year attributable to equity holders of the Company		**(450)**	(3,968)
Non-controlling interests			
Total comprehensive income from continuing operations, net of tax		**88**	9
Total comprehensive income from discontinued operation, net of tax		**–**	110
Total comprehensive income for the financial year attributable to non-controlling interests		**88**	119
(Loss)/earnings per share for loss attributable to equity holders of the Company (cents per share)			
Basic and diluted			
From continuing and discontinued operations	**29**	**(0.003)**	(0.028)
From continuing operations	**29**	**(0.003)**	(0.029)
From discontinued operation	**29**	**–**	0.001

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Other reserves $'000	Equity attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group						
Balance at 1 January 2018	63,274	(57,193)	(1,906)	4,175	413	4,588
Issuance of ordinary shares of the Company (Note 20)	4,027	–	–	4,027	–	4,027
Transfer to capital reserve (Note 21)	–	(83)	83	–	–	–
(Loss)/profit for the financial year	–	(3,967)	–	(3,967)	122	(3,845)
Other comprehensive (loss)/income						
- Currency translation differences arising from consolidation	–	–	(41)	(41)	(3)	(44)
Reclassification of currency translation reserve upon disposal of a subsidiary	–	–	40	40	–	40
Total comprehensive (loss)/income for the financial year	–	(3,967)	(1)	(3,968)	119	(3,849)
Changes in ownership interests in a subsidiary						
Disposal of ownership interest in subsidiaries	–	–	–	–	(522)	(522)
	–	–	–	–	(522)	(522)
Balance at 31 December 2018	67,301	(61,243)	(1,824)	4,234	10	4,244
Issuance of ordinary shares of the Company (Note 20)	500	–	–	500	–	500
ESOS expenses (Note 21)	–	–	39	39	–	39
(Loss)/profit for the financial year	–	(455)	–	(455)	88	(367)
Other comprehensive income						
- Currency translation differences arising from consolidation	–	–	5	5	–	5
Total comprehensive (loss)/income for the financial year	–	(455)	5	(450)	88	(362)
Changes in ownership interests in a subsidiary						
Consolidation of an associate	–	–	–	–	(38)	(38)
	–	–	–	–	(38)	(38)
Balance at 31 December 2019	**67,801**	**(61,698)**	**(1,780)**	**4,323**	**60**	**4,383**

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Capital reserve $'000	Total equity $'000
Company				
Balance at 1 January 2018	63,274	(59,538)	50	3,786
Issuance of ordinary shares of the Company (Note 20)	4,027	–	–	4,027
Loss and total comprehensive loss for the financial year	–	(3,230)	–	(3,230)
Balance at 31 December 2018	67,301	(62,768)	50	4,583
Issuance of ordinary shares of the Company (Note 20)	500	–	–	500
ESOS expenses (Note 21)	–	–	39	39
Loss and total comprehensive loss for the financial year	–	(987)	–	(987)
Balance at 31 December 2019	**67,801**	**(63,755)**	**89**	**4,135**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	**2019** **$'000**	2018 $'000
Cash flows from operating activities			
Loss before income tax from continuing operations		**(312)**	(3,919)
Profit before income tax from discontinued operation	28	**–**	312
		(312)	(3,607)
Adjustments for:			
Depreciation of property, plant and equipment		**62**	255
Depreciation of right-of-use assets		**260**	–
Fair value gain on redeemable convertible bonds	23	**(28)**	(60)
Fair value loss on financial assets at fair value through profit or loss		**1**	13
Gain on disposal of property, plant and equipment		**(77)**	(18)
Interest on loans from holding company of a former corporate shareholder of Industrial Power Technology Pte Ltd (**"IPT"**) waived		**(268)**	–
Allowance for impairment loss on trade receivables		**8**	–
Interest expense		**34**	301
Interest income		**(205)**	(37)
Loss on disposal of a subsidiary	30	**–**	432
Issuance of Performance Shares	20	**–**	1,530
Write-off of redeemable convertible bonds expenses		**–**	520
Bad debt recovered		**–**	(108)
ESOS expenses		**39**	–
Operating cash flow before working capital changes		**(486)**	(779)
Changes in working capital:			
Inventories		**(191)**	(591)
Payables and contract liabilities		**630**	5,356
Receivables		**(103)**	(4,616)
Currency translation difference		**26**	(60)
Cash used in operations		**(124)**	(690)
Income tax paid		**(142)**	(103)
Net cash used in operating activities		**(266)**	(793)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from investing activities			
Interest received		**8**	37
Net cash inflow from disposal of a subsidiary	30	**–**	388
Purchases of property, plant and equipment		**(159)**	(198)
Purchase of financial assets at fair value through profit or loss		**–**	(46)
Proceeds from disposal of property, plant and equipment		**77**	18
Net cash (used in)/generated from investing activities		**(74)**	199
Cash flows from financing activities			
Contribution from non-controlling interest of a subsidiary incorporated		**–**	–*
Interest paid for term loan		**(2)**	(32)
Interest paid for lease liabilities		**(9)**	(50)
Loan from a third party		**1**	–
Issuance of ordinary shares		**500**	–
Placement of fixed deposit pledged		**(48)**	–
Release of deposit in cash margin account		**133**	–
Repayment of borrowings		**(610)**	(37)
Repayment of lease liabilities		**(253)**	(138)
Net cash used in financing activities		**(288)**	(257)
Net decrease in cash and cash equivalents		**(628)**	(851)
Cash and cash equivalents at beginning of the financial year		**1,842**	2,683
Effects of foreign currency translation on cash and cash equivalents		**(8)**	10
Cash and cash equivalents at end of the financial year (Note 5)		**1,206**	1,842

* Amount less than $1,000.

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

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

1. General corporate information

The Company is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is at 100 Beach Road, #17-01 Shaw Tower, Singapore 189702.

The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 10.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar ("**$**") (rounded to the nearest thousand ($'000) except when otherwise stated), and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

Use of estimates and judgements

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 4.

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

New and revised standards

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

The adoption of these new/revised SFRS(I) and INT SFRS(I) did not have any material effect on the financial results or position of the Group except as disclosed in Note 3.

New standards, amendments to the standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

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

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.10. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

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

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

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

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

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

2.2 Basis of consolidation (cont'd)

When a change in the Company's ownership interest in a subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amounts of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

2.3 Subsidiaries

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

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

2.4 Associates

An associate is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of the 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.

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

2.4 Associates (cont'd)

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss. On disposal of investment in associates, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.5 Discontinued operation

A component of the Group is classified as "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose off a separate major line of business or geographical area or operations. Results from operation qualifying as discontinued operation are presented separately as a single amount in the profit or loss and the comparative for the prior year are adjusted accordingly.

2.6 Property, plant and equipment

Property, plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

Depreciation is calculated on a straight-line basis to write off the cost of all property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold properties	28 to 50 years
Fixtures and fittings	5 to 10 years
Plant and equipment	1 to 10 years
Motor vehicles	4 to 10 years
Generator sets	10 years

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

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

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

2.7 Financial assets

Recognition and derecognition

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

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

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("**FVTPL**").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("**SPPI**")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Debt instruments

Debt instruments include cash and cash equivalents, fixed deposits and trade and other receivables (excluding prepayments, non-refundable deposit, advance billings from suppliers, tax recoverable and Goods and Services Tax receivables). The financial assets, depending on the Group's business model for managing the asset and cash flow characteristics of the asset are measured as follows:

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

2.7 Financial assets (cont'd)

Subsequent measurement (cont'd)

Amortised cost

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

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

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

Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other income".

Impairment

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

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

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date.

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

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

Offset

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

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

2.8 Financial liabilities

Financial liabilities include trade and other payables (excluding provision for unutilised leave, Good and Services Tax payables and withholding tax payables) and borrowings. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for the financial guarantees) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

2.9 Impairment of non-financial assets

Intangible assets (other than goodwill)
Property, plant and equipment
Right-of-use assets
Investments in subsidiaries and associates

At the end of the reporting period, the Group reviews the carrying amounts of intangible assets (other than goodwill), property, plant and equipment, right-of-use assets and investments in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

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

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

2.10 Goodwill

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

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

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

On disposal of subsidiaries and associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The Group's policy for goodwill arising on the acquisition of associate is described in Note 2.4.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using a first-in first-out basis for general stock and specific cost basis for unique stock. Net realisable value represents the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

When 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.

2.12 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash and bank balances which are subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents exclude restricted bank balances held in cash margin account.

2.13 Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimates. If it is no longer likely than not that an outflow of resources will be required to settle the obligation, the provisions will be reversed.

2.14 Borrowings

<u>Loans</u>

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

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

2.14 Borrowings (cont'd)

Loans (cont'd)

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Redeemable convertible bonds

The Group's redeemable convertible bond is a hybrid instrument that combines feature of derivative liability component and non-convertible bond component.

The derivative liability component (conversion option) is recognised at its fair value, determined by applying the binomial valuation model. When the conversion option is exercised, its carrying amount is transferred to share capital.

The difference between the total proceeds and the derivative liability component is allocated to the non-convertible bond component and is classified as a financial liability. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

2.15 Revenue recognition

Sales of goods

The Group mainly traded in oilfield equipment and related products. The Group transfers control and recognises a sale when they deliver goods to their customers. Revenue from these sales is recognised based on the price specified in the contract. The customer may be required to pay part of the contract price upon signing the contract and the remaining contract price before delivery and/or 60 - 90 days from the delivery date. There is no significant financing component present as the payment terms is an industry practice to protect the performing entity from non-payment from customer and the period between the transfer of the promised goods and payment by the customer is generally less than one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

For certain contracts where the Group has to deliver the final reports to customers after delivering of the promised goods to customers, revenue is recognised over time by measuring the progress towards complete satisfaction of performance obligations. A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same. The Group has determined that the output method based on units delivered reflects the over-time transfer of control to customers and when the Group has enforceable right to payment for the goods or final reports delivered. The Group will progressively bill its customer in accordance with the billing terms in the sales contract and customers are required to pay within 60 - 90 days from the invoice date. No element of financing is deemed present.

The difference between the consideration due or received in accordance with the payment terms and revenue recognised which includes deferred income is recognised as contract liabilities.

Rendering of services

The Group provides (i) ad-hoc maintenance services such as equipment inspection and equipment servicing; and (ii) ad-hoc engineering work. Revenue from services is recognised when the service is performed and accepted by customers.

A receivable is recognised upon completion of services and acceptance by the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

2.15 Revenue recognition (cont'd)

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Commission income

Commission income is derived from the sale of goods on behalf of a principal. Commission income is recognised when the sales transaction is completed.

2.16 Government grants

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

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

2.17 Employee compensation

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlements

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

Defined benefit plans

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to profit or loss spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets, if any, are measured at fair value.

Past service costs are recognised immediately in profit or loss.

The Group's total contribution relating to the defined pension plans are charged to profit or loss in the period to which they relate.

2.18 Income taxes

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

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

2.18 Income taxes (cont'd)

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

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

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

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

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

2.19 Leases

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

When the Group is the lessee:

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

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

When the Group is the lessor:

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The accounting policy for leases from 1 January 2019 onwards is as follows:

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

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

2.19 Leases (cont'd)

The accounting policy for leases from 1 January 2019 onwards is as follows (cont'd):

When the Group is the lessee:

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. 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.

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

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

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

Right-of-use assets

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

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

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

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

2.19 Leases (cont'd)

The accounting policy for leases from 1 January 2019 onwards is as follows (cont'd):

When the Group is the lessee (cont'd):

Right-of-use assets (cont'd)

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.9.

2.20 Foreign currency translation and transactions

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The financial statements of the Group and the Company are presented in Singapore dollar, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve within equity.

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

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

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

2.20 Foreign currency translation and transactions (cont'd)

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

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

2.21 Related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The transactions are entered on terms agreed by the parties concerned.

2.22 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 statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.23 Financial guarantees

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 original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.24 Share capital

Proceeds from issuance of ordinary shares of the Company are recognised as share capital in equity.

Incremental costs directly attributable to the issuance of ordinary shares of the Company are deducted against share capital.

2.25 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.26 Segment reporting

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

3. Interpretation and amendments to published standards effective in 2019

SFRS(I) 16 *Leases*

<u>When the Group is the lessee</u>

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

The Group and Company have adopted and applied SFRS(I) 16 at the date of initial application on 1 January 2019 using the modified retrospective approach with no restatement of comparatives for 2018 reporting year.

On adoption of SFRS(I) 16, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and Company's incremental borrowing rate as at 1 January 2019. The Group's weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.13% per annum. The Company's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.73%.

	Group 2019 $'000	Company 2019 $'000
Operating lease commitments disclosed as at 31 December 2018	**138**	**119**
Discounted using the lessee's incremental borrowing rate	**(5)**	**(4)**
Add: Contracts re-assessed as leases	**101**	**64**
Less: Contracts re-assessed as service components	**(36)**	**(33)**
Lease liability recognised as at 1 January 2019	**198**	**146**

The effect of adoption of SFRS(I) 16 on the Group's and Company's financial statements on 1 January 2019 are summarised as follows:

	Increase/(decrease)	
	Group $'000	**Company $'000**
Property, plant and equipment	(222)	–
Right-of-use assets	420	146
Borrowings	198	146

3. Interpretation and amendments to published standards effective in 2019 (cont'd)

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

<u>When the Group is the lessee (cont'd)</u>

In applying SFRS(I) 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

- rely on previous assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the 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 the financial year. 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.

4.1 Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

<u>Going concern</u>

During the financial year ended 31 December 2019, the Group reported net loss of $367,000 (2018: $3,845,000) and reported net cash used in operating activities of $266,000 (2018: $793,000) and the Company reported a net loss of $987,000 (2018: $3,230,000). At 31 December 2019, the Company's current liabilities exceeded its current assets by $625,000. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis as:

(1) The review of the cash flow forecasts of the Group and of the Company for the financial year ending 31 December 2020 showed that the Group and the Company have adequate resources and will be able to generate sufficient cash flows in the next 12 months to meet their financial obligations as and when they fall due taking into consideration:

(a) Group activities is expected to generate positive cash flows for the Group and the Company in the next 12 months despite the slowdown in the operating environment;

(b) the Group's business segment in the renewable energy and green technology segment which is expected to register their maiden contributions during the next 12 months; and

(c) the Company targets to raise proceeds from the allotment and issuance of shares under an option agreement to Mr Lim In Chong ("**Mr Lim**") or to his designated investors and/or nominees by 24 April 2020.

(2) As at 31 December 2019, the Group is in net current asset position; and

(3) The Directors are actively evaluating various strategies, including fund raising, acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets to improve the existing business and earnings base of the Group.

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

4.1 Critical judgements made in applying accounting policies (cont'd)

Going concern (cont'd)

After considering the measures taken described above, the Directors believe that the Group and the Company have adequate resources to continue its operations as going concerns. In light of the adverse impact on the Group activities from the current COVID-19 pandemic, which is difficult to assess at this point with regard to its severity and duration, given that economic activity has largely been disrupted in most parts of the world and may remain weak in the near term, the Group will continue to monitor closely the situation and continue to improve its financial position and conserve liquidity to withstand the current economy. The Group has a management team that is experienced managing difficult situations and has demonstrated that the management can respond quickly to changing market conditions and remain positioned for the expected recovery in demand. On the same note, with regard to (1)(c) above, there exists a possibility that Mr Lim may not be able to exercise his options before the expiry date due to the COVID-19 movement restrictions in Malaysia which may be prolonged. Should this occur, the Directors are of the opinion that the Group and the Company will still be able to meet their obligations as and when they fall due over the next 12 months, although there will be less internal resources available to implement projects that are still in the planning stage. The consolidated financial statements of the Group and the statement of financial position, and statement of changes in equity of the Company are prepared on a going concern basis.

The financial statements did not include any adjustments that may result in the event that the Group and the Company are unable to continue as going concerns. In the event that the Group and the Company are unable to continue as going concerns, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and current liabilities.

Determination of functional currency

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

Investment in subsidiary

Management has assessed and concluded that the Group has control over HT Energy (S) Sdn. Bhd. since the Group has majority of the board representation since 25 June 2019. Accordingly, the Group has accounted for this investment as its subsidiary and consolidated the subsidiary's financial statements with effect from 25 June 2019.

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

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, 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.

Investment in subsidiaries

The Group reviews the investment in subsidiaries at the end of the financial year to determine whether there is any indication of impairment. An impairment exists when the carrying value of an asset or cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The carrying amounts of investment in subsidiaries at the end of the financial year are disclosed in Note 10.

Estimating the incremental borrowing rate for leases

The Group uses the incremental borrowing rate to measure the lease liabilities because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate by using observable inputs such as market interest rates, when available and is required to make certain entity-specific estimates, such as the entity's stand-alone credit rating. Any change in estimation of incremental borrowing rate may have a significant impact to the determination of lease liabilities and right-of-use asset at the date of initial application of SFRS(I) 16 and commencement date of new leasing transactions. The carrying amount of lease liabilities and right-of-use assets are disclosed in Note 16 and 13 respectively.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying amount of property, plant and equipment and right-of-use assets are disclosed in Note 12 and Note 13.

Calculation of loss allowance

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

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

As the calculation of loss allowance on trade receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables. Details of ECL measurement and carrying value of trade receivables at reporting date are disclosed in Note 7 and Note 33(b).

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

4.2 Key sources of estimation uncertainty (cont'd)

Income taxes and deferred tax liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's tax payable, deferred income tax liabilities and deferred income tax assets at 31 December 2019 was $37,000 (2018: $115,000), $31,000 (2018: $22,000) and $Nil (2018: $1,000) respectively.

Information on unabsorbed tax losses and other temporary differences for which deferred tax assets/liabilities had not been recognised are stated in Note 27 and Note 19 respectively.

5. Cash and cash equivalents

	Group		**Company**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**1,206**	1,842	**54**	54
Deposit placed in cash margin account	**80**	225	**–**	–
	1,286	2,067	**54**	54

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2019	2018
	$'000	$'000
Cash and bank balances (as above)	**1,286**	2,067
Less: Deposit placed in cash margin account	**(80)**	(225)
Cash and cash equivalents in consolidated statement of cash flows	**1,206**	1,842

6. Fixed deposits

The fixed deposits are pledged to banks as securities for banking facilities such as importing line comprising letter of credit, trust receipts and banker's guarantee.

The fixed deposits have maturity periods ranging from 1 to 12 months (2018: 1 to 12 months) from the end of the financial period with interest rates ranging from 0.97% to 5.90% (2018: 1.25% to 3.20%) per annum.

7. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables:				
Non-related parties	**2,885**	2,488	**–**	–
Less: Allowance for impairment	**(780)**	(772)	**–**	–
	2,105	1,716	**–**	–
Other receivables	**43**	10	**–**	2
Amount due from a former subsidiary (GPE)	**300**	300	**300**	300
	343	310	**300**	302
Loan to a former subsidiary (GPE)	**220**	160	**220**	160
Loan to a former corporate shareholder of a subsidiary	**24**	24	**–**	–
Amounts due from subsidiaries	**–**	–	**–**	27
Amount due from an associate	**–**	28	**–**	18
Advances to subsidiaries	**–**	–	**115**	306
Advances to former subsidiaries	**11,171**	11,171	**11,171**	11,171
Less: Allowance for impairment	**(11,171)**	(11,171)	**(11,171)**	(11,171)
	–	28	**115**	351
Refundable deposit placed with supplier for the purchase of inventories	**–**	106	**–**	–
Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun	**1,212**	1,600	**1,212**	1,600
Security deposits	**54**	111	**24**	24
GST receivable	**15**	39	**11**	5
Tax recoverable	**24**	–	**–**	–
Advance billings from suppliers	**503**	–	**–**	–
Prepayments	**42**	93	**26**	26
Other recoverable	**150**	150	**150**	150
Less: Allowance for impairment	**(150)**	(150)	**(150)**	(150)
	–	–	**–**	–
	4,542	4,187	**1,908**	2,468
Non-current				
Loan to a subsidiary	**–**	–	**165**	–
Loan to a former subsidiary (GPE)	**2,446**	2,400	**2,446**	2,400
	2,446	2,400	**2,611**	2,400
	6,988	6,587	**4,519**	4,868

7. Trade and other receivables (cont'd)

Group

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Loan to a former corporate shareholder of a subsidiary

Loan to a former corporate shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

Company

Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Advances to subsidiaries

Advances to subsidiaries are unsecured, interest-free and payable on demand.

Loan to a subsidiary

Loan to a subsidiary is unsecured, interest-free and repayable on 8 January 2021.

Group and Company

Amount due from a former subsidiary (GPE)

The amount due from a former subsidiary (GPE) relates to management fee, is unsecured, interest-free and repayable on demand.

Loan to a former subsidiary (GPE)

An amount of $2,666,000 (2018: $2,560,000) being loan to a former subsidiary is unsecured and bears an interest rate of 8% (2018: 8%) per annum. The scheduled repayment of the restructured loan commenced in January 2019 and final payment due in July 2021.

During the financial year ended 31 December 2019, GPE defaulted on 4 instalment payments amounted to $100,000.

As disclosed in Note 39(a), in January 2020, the Group and Company received 100,000,000 shares of the Company valued at $100,000 based on last trading price as of the date of this report, towards satisfying the overdue payments as at 31 December 2019. In March 2020, in accordance with the repayment schedule, due in March 2020, the Group and Company received $30,000.

As at the date of this report, the amount due from GPE and loan to GPE amounted to $300,000 and $2,681,000 respectively, before offsetting proceeds from sale of the 100,000,000 shares which remained unsold.

Amount due from an associate

Amounts due from an associate are non-trade in nature, unsecured, interest-free and repayable on demand.

Advances to former subsidiaries

Advances to former subsidiaries are unsecured, interest-free and payable on demand.

7. Trade and other receivables (cont'd)

Group and Company (cont'd)

*Consideration due from disposal of a subsidiary (GPE) from Ms Chong Shin Mun (the "**Purchaser**") (2019: $1,212,000; 2018: $1,600,000)*

Balance consideration (including interest and other costs, charges and expenses incurred by the Company) due from the disposal of the subsidiary is secured against:

(a) a charge over 21,875 ordinary shares, fully paid, of Seri Beskaya Sdn. Bhd., a private limited company representing 14.58% of its entire share capital, held by a related party of the Purchaser, Tan Yock Chew.

(b) a personal guarantee by Tan Yock Chew in favour of the Company.

On 27 June 2019, certain rights of control and sale of 697,330,000 Company's shares owned by the Purchaser ("**Controlled Shares**") were received towards satisfying the balance of Third Tranche consideration and interest. On 29 October 2019, the Purchaser defaulted on the Fourth Tranche consideration amount of $1,000,000.

During the financial year, the Company received 50,000,000 Further Controlled Shares from the Purchaser for settlement of interest.

Subsequent to year end, as disclosed in Note 39(b), the Group and Company received $50,000 from the sale of Controlled Shares for settlement of the Third Tranche consideration. As disclosed in Note 39(b), 62,670,000 Further Controlled Shares were received from the Purchaser.

As at the date of this report, the balance due, including interest amounted to $1,177,000, before offsetting the proceeds from the sale of 227,330,000 Controlled Shares and 112,670,000 Further Controlled Shares valued at $227,330 and $112,670 respectively based on the last trading price as of date of this report, which remained unsold.

8. Inventories

	Group	
	2019	2018
	$'000	$'000
Trading goods	**54**	**11**
Goods in transit	**221**	**73**
	275	**84**

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $4,806,000 (2018: $3,680,000), included under loss from continuing operations and $Nil (2018: $8,248,000) included under profit from discontinued operation.

9. Financial assets at fair value through profit or loss

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Quoted equity investments on the SGX-ST	**7**	8	**7**	8
Unquoted securities Singapore redeemable participating shares	**–**	–*	**–**	–*
	7	8	**7**	8
Non-current				
Quoted equity investments on the SGX-ST	**2**	1	**–**	–
Unquoted securities	**–**	96	**96**	96
	2	97	**96**	96
	9	105	**103**	104

* Amount less than $1,000.

During the financial year, the Group has:

(i) recognised a net fair value loss on the quoted equity securities in profit or loss of $418 (2018: $8,000) against the trade prices as at 31 December 2019 (2018: 31 December 2018);

(ii) recognised a net fair value loss on the unquoted securities in profit or loss of $449 (2018: $5,000) against the best indication of fair value as at 31 December 2019 (2018: 31 December 2018) determined by a registered fund management company.

During the financial year ended 31 December 2018, the Group subscribed for 290,000 Redeemable Convertible Non-Cumulative Preference Shares amounting to $96,000 (RM290,000) in an associate. The same associate became a subsidiary during the current financial year.

10. Investments in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost		
At 1 January	**11,697**	13,535
Disposal of a subsidiary	**–**	(1,838)
	11,697	11,697
Less: Allowance for impairment	**(9,546)**	(9,546)
At 31 December	**2,151**	2,151

The movements in the allowance for impairment are as follows:

At 1 January	**9,546**	9,062
Additions during the financial year	**–**	484
At 31 December	**9,546**	9,546

10. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries as at the end of the financial year are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operations	Effective equity interest held by Group 2019 %	2018 %
Industrial Engineering Systems Pte. Ltd. (1)	Designing of industrial plant engineering services systems and general wholesaler and trader	Singapore	**100**	100
P.J. Services Pte Ltd (1)	Trading in oilfield equipment and related products	Singapore	**100**	100
Nu-Haven Incorporated (2)	Investment holding	British Virgin Islands	**100**	100
Cahya Suria Energy Sdn. Bhd.(3)	Investment holding	Malaysia	**100**	100
Held by Nu-Haven Incorporated:				
Avital Enterprises Limited (2)	Investment holding	British Virgin Islands	**100**	100
Held by P.J. Services Pte Ltd:				
Panah Jaya Services Sdn. Bhd.(4)(8)	Trading in oilfield parts and equipment	Malaysia	**100**	100
PT Panah Jaya Sejahtera (5)(8)	Trading in oilfield equipment and related products	Indonesia	**100**	100
Panah Jaya Makmur Sdn. Bhd.(6)	Trading in oilfield equipment and related products	Brunei	**60**	60
Held by Cahya Suria Energy Sdn. Bhd.:				
Renosun International Sdn. Bhd. (3)	Provision of designing, engineering, procurement, construction and commissioning of solar photovoltaic system and related products	Malaysia	**51**	51
HT Energy (S) Sdn. Bhd. ("**HTES**") (7)(9)	Operation of generation facilities that produce electric energy, manufacturing of any fabricated metal products and construction of utility project.	Malaysia	**49**	–
Held by Industrial Engineering Systems Pte. Ltd.:				
IES Engineering Systems Sdn. Bhd. (10)	Designing of industrial plant engineering services systems and general wholesaler and trader	Malaysia	**100**	–

10. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries as at the end of the financial year are as follows (cont'd):

(1) Audited by Baker Tilly TFW LLP, Singapore
(2) Not required to be audited in the country of incorporation
(3) Audited by Khoo Teng Keat & Co., Malaysia
(4) Audited by Azhar Noriza Zainuddin, Malaysia
(5) Audited by Herman Doby Tanumihardja & Rekan, Indonesia
(6) Audited by BDO Chartered Accountants, Malaysia
(7) Audited by TNT Chartered Accountants, Malaysia
(8) To facilitate the operation of this business unit, the Group, through P.J. Services Pte Ltd, holds the shareholdings interests in the subsidiary through nominees, thus, maintaining its beneficial interests and therefore has absolute and de facto control over the subsidiary.
(9) Considered a subsidiary as Group has majority of board representation
(10) Incorporated during the current financial year

In accordance with Rule 716 of the Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and the Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

(b) There are no non-controlling interests that are considered by management to be material to the Group since the disposal of equity interest in GPE Power Systems (M) Sdn. Bhd. ("**GPE**") during the financial year ended 31 December 2018.

(c) Incorporation of Panah Jaya Makmur Sdn. Bhd.

On 18 August 2018, P.J. Services Pte Ltd incorporated and owned 60% of equity interest in Panah Jaya Makmur Sdn. Bhd. for a consideration of $600.

(d) Incorporation of IES Engineering Systems Sdn. Bhd.

On 5 December 2019, Industrial Engineering Systems Pte. Ltd. incorporated and owned 100% of equity interest in IES Engineering Systems Sdn. Bhd. for a consideration of $336.

(e) Company Level - Impairment review of investment in subsidiaries

During the financial year ended 31 December 2018, an impairment loss of $484,000 was recognised to write down its investment in a subsidiary to its recoverable amount of $836,000.

The recoverable amounts of the CGUs were determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using terminal growth rate of 1.4%. The pre-tax rate used to discount the forecast cash flows of the Group was 17.92%.

10. Investments in subsidiaries (cont'd)

(f) Acquisition of subsidiary

The Group considered HT Energy (S) Sdn. Bhd., an entity in which it has 49% equity interest, a subsidiary with effect from 25 June 2019 upon having majority board representation. The Group has acquired HT Energy (S) Sdn. Bhd. to strengthen its presence in the renewable energy and green technology segment.

Fair values of identifiable assets and liabilities of subsidiary at acquisition date

	Group 2019 $'000
Property, plant and equipment	–*
Trade and other receivables	90
Cash and cash equivalents	–*
Trade and other payables	(69)
Total identifiable net assets	21
Less: Redeemable convertible non-cumulative preference shares held by the Company	(95)
Net identifiable liabilities acquired	(74)
NCI measured at non-controlling proportionate share of subsidiary net assets	38
Net identifiable liabilities acquired	(36)
Goodwill (Note 14)	36
Total consideration transferred	–

* Amount less than $1,000.

The subsidiary is involved in the operation of generation facilities that produce electric energy, manufacturing of any fabricated metal products and construction of utility project.

The goodwill of $36,000 is attributable to the synergies expected to arise to the Group after the acquisition. The subsidiary has not generated revenue as of 31 December 2019.

11. Investment in an associate

	Group 2019 $'000	Group 2018 $'000
Unquoted equity shares, at cost:		
At beginning and end of the financial year	–	–

11. Investment in an associate (cont'd)

Details of the associate is as follow:

Name of associate	Principal activities	Country of incorporation and operations	Effective equity interest held by Group 2019 %	2018 %
<u>Held by Cahya Suria Energy Sdn. Bhd.:</u>				
HT Energy (S) Sdn. Bhd. ("**HTES**")	Operation of generation facilities that produce electric energy, manufacturing of any fabricated metal products and construction of utility project	Malaysia	–	49

The associate was measured using the equity method of accounting. Management did not consider the associate to be individually and in aggregate material to the Group. Accordingly, summarised financial information of the associate is not disclosed.

The Group has not recognised its share of loss of associate amounted to $44,000 during the financial year ended 31 December 2018 because the Group's share of loss exceeded its interest in the associate and the Group has no obligation in respect of those losses.

On 25 June 2019, the Group considered HTES as its subsidiary as it has control over the financial and operating policies of the associate through majority board representation.

12. Property, plant and equipment

	Leasehold properties $'000	Fixtures and fittings $'000	Plant and equipment $'000	Motor vehicles $'000	Generator sets $'000	Total $'000
Group						
2019						
Cost						
At 1 January 2019	253	225	285	282	–	1,045
Reclassification to right-of-use assets (Note 13)	(253)	–	–	–	–	(253)
Additions	–	44	115	–	–	159
Disposals	–	–	–	(281)	–	(281)
Translation differences	–	1	–	–	–	1
Acquisition of a subsidiary (Note 10)	–	–	1	–	–	1
At 31 December 2019	**–**	**270**	**401**	**1**	**–**	**672**
Accumulated depreciation						
At 1 January 2019	31	146	240	281	–	698
Reclassification to right-of-use assets (Note 13)	(31)	–	–	–	–	(31)
Charge for the financial year	–	34	28	–*	–	62
Disposals	–	–	–	(281)	–	(281)
Acquisition of a subsidiary (Note 10)	–	–	1	–	–	1
At 31 December 2019	**–**	**180**	**269**	**–***	**–**	**449**
Net carrying value						
At 31 December 2019	**–**	**90**	**132**	**1**	**–**	**223**

* Amount less than $1,000.

12. Property, plant and equipment (cont'd)

	Leasehold properties $'000	Fixtures and fittings $'000	Plant and equipment $'000	Motor vehicles $'000	Generator sets $'000	Total $'000
2018						
Cost						
At 1 January 2018	253	220	424	451	1,264	2,612
Additions	–	34	4	316	720	1,074
Disposals	–	–	–	(109)	–	(109)
Translation differences	–	–	(1)	–	–	(1)
Disposal of a subsidiary (Note 30)	–	(29)	(142)	(376)	(1,984)	(2,531)
At 31 December 2018	253	225	285	282	–	1,045
Accumulated depreciation						
At 1 January 2018	26	124	313	395	162	1,020
Charge for the financial year	5	34	32	59	125	255
Disposals	–	–	–	(109)	–	(109)
Translation differences	–	–	(1)	–	–	(1)
Disposal of a subsidiary (Note 30)	–	(12)	(104)	(64)	(287)	(467)
At 31 December 2018	31	146	240	281	–	698
Net carrying value						
At 31 December 2018	222	79	45	1	–	347

	Fixtures and fittings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Company				
2019				
Cost				
At 1 January 2019	64	21	279	364
Additions	–	4	–	4
Disposals	–	–	(279)	(279)
At 31 December 2019	**64**	**25**	**–**	**89**
Accumulated depreciation				
At 1 January 2019	28	10	279	317
Charge for the financial year	24	7	–	31
Disposals	–	–	(279)	(279)
At 31 December 2019	**52**	**17**	**–**	**69**
Net carrying value				
At 31 December 2019	**12**	**8**	**–**	**20**

12. Property, plant and equipment (cont'd)

	Fixtures and fittings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
2018				
Cost				
At 1 January 2018	60	21	388	469
Additions	4	–	–	4
Disposals	–	–	(109)	(109)
At 31 December 2018	64	21	279	364
Accumulated depreciation				
At 1 January 2018	4	3	383	390
Charge for the financial year	24	7	5	36
Disposals	–	–	(109)	(109)
At 31 December 2018	28	10	279	317
Net carrying value				
At 31 December 2018	36	11	–	47

Leasehold properties of the Group as at 31 December 2018 are two leasehold shop units at Kelana Centre Point, Malaysia. The leasehold properties are reclassified to right-of-use assets at 1 January 2019 upon adoption of SFRS(I) 16.

Leasehold properties of the Group are provided as security for the Group's borrowings (Note 16).

Assets held under finance leases

During the financial year ended 31 December 2018, the Group acquired property, plant and equipment with an aggregate cost of $1,074,000 of which $198,000 was paid out by cash and $876,000 was financed under finance lease arrangement. The Group has fully settled the finance lease obligation during the financial year ended 31 December 2018.

13. Right-of-use assets

	Leasehold properties $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Group				
2019				
Cost				
At 1 January 2019	–	–	–	–
Adoption of SFRS(I) 16	156	17	25	198
Reclassification from property, plant and equipment (Note 12)	253	–	–	253
At 1 January 2019, restated	409	17	25	451
Additions	203	15	–	218
At 31 December 2019	**612**	**32**	**25**	**669**
Accumulated depreciation				
At 1 January 2019	–	–	–	–
Reclassification from property, plant and equipment (Note 12)	31	–	–	31
At 1 January 2019, restated	31	–	–	31
Charge for the financial year	233	7	20	260
At 31 December 2019	**264**	**7**	**20**	**291**
Net carrying value				
At 1 January 2019, restated	378	17	25	420
At 31 December 2019	**348**	**25**	**5**	**378**
Company				
2019				
Cost				
At 1 January 2019	–	–	–	–
Adoption of SFRS(I) 16	139	7	–	146
At 1 January 2019 (restated) and 31 December 2019	**139**	**7**	**–**	**146**
Accumulated depreciation				
At 1 January 2019	–	–	–	–
Charge for the financial year	88	2	–	90
At 31 December 2019	**88**	**2**	**–**	**90**
Net carrying value				
At 1 January 2019, restated	139	7	–	146
At 31 December 2019	**51**	**5**	**–**	**56**

Right-of-use assets are acquired under leasing arrangements. Details of leases are disclosed in Note 36.

Depreciation of $38,000 relating to a leasehold property rented for a director's accommodation is charged to staff costs for key management personnel.

As at 31 December 2019, leasehold properties of the Group with carrying amounts of $217,000 are provided as security for the Group's borrowings (Note 16).

14. Intangible asset

	Group	
	2019	2018
	$'000	$'000
Goodwill arising on consolidation		
At 1 January	**–**	1,020
Acquisition of a subsidiary (Note 10)	**36**	–
Disposal of a subsidiary (Note 30)	**–**	(1,020)
At 31 December	**36**	–

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

	Group	
	2019	2018
	$'000	$'000
Investments and others		
Cahya Suria Energy Sdn. Bhd. and its subsidiaries	**36**	–

15. Trade and other payables

	Group			Company	
		(Restated)	(Restated)		
	31.12.2019	31.12.2018	1.1.2018	**2019**	2018
	$'000	$'000	$'000	**$'000**	$'000
Current					
Trade payables	**955**	522	1,582	**–**	–
Amounts due to subsidiaries	**–**	–	–	**279**	112
Amounts due to directors of the Company	**310**	–	–	**279**	–
Amounts due to directors of subsidiaries	**206**	–	–	**–**	–
Amount due to former corporate shareholder of a subsidiary	**20**	20	20	**–**	–
Other payables	**815**	569	786	**740**	467
Accrued cost	**15**	–	–	**–**	–
Accrued operating expenses	**780**	860	689	**452**	585
	3,101	1,971	3,077	**1,750**	1,164
Non-current					
Other payables	**171**	–	–	**171**	–
	3,272	1,971	3,077	**1,921**	1,164

The amounts due to subsidiaries are non-trade in nature, unsecured, repayable on demand and interest-free except for an amount of $60,000 (2018: $112,000), which bears interest at 8.75% (2018: 8.75%) per annum.

The amounts due to directors of the Company, directors of subsidiaries and former corporate shareholder of a subsidiary are non-trade in nature, unsecured, repayable on demand and interest-free.

15. Trade and other payables (cont'd)

Included in current and non-current other payables are amount of $129,000 (2018: $124,000) and $171,000 (2018: $Nil) respectively payable to a former employee of the Group in relation to the legal claims as disclosed in Note 38.

Included in accrued operating expenses is an amount of $204,000 (2018: $108,000) being outstanding Directors' fees for the financial years ended 31 December 2018 and 2019 (2018: 31 December 2018). As at 31 December 2019, an amount of $123,000 (2018: $123,000) was due to a law firm where one of the former director is an equity partner.

16. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Term loan	**8**	10	**–**	–
Loans from holding company of a former corporate shareholder of IPT	**50**	568	**50**	568
Loan from a subsidiary	**–**	–	**200**	–
Redeemable convertible bonds ("**RCBs**")	**497**	249	**497**	249
Derivative liability conversion component on RCBs	**44**	23	**44**	23
Advances from the subscriber of RCBs	**–**	100	**–**	100
Lease liabilities	**128**	–	**53**	–
	727	950	**844**	940
Non-current				
Term loan	**61**	67	**–**	–
Redeemable convertible bonds ("**RCBs**")	**–**	488	**–**	488
Derivative liability conversion component on RCBs	**–**	49	**–**	49
Lease liabilities	**35**	–	**3**	–
	96	604	**3**	537
Total	**823**	1,554	**847**	1,477

<u>*Term loan*</u>

The term loan bears interest of 5.1% (2018: 5.1%) per annum and is secured on the Group's fixed deposits and leasehold properties (Note 12) in Malaysia.

<u>*Loans from holding company of a former corporate shareholder of IPT*</u>

The loans are from LionGold Corp Ltd ("**LionGold**"), the holding company of a former corporate shareholder of Industrial Power Technology Pte Ltd ("**IPT**"). The Company has disposed its shareholding interest in IPT in the financial year ended 31 December 2016. The loans arose during the financial year ended 31 December 2015 from a customer of IPT which had made claims totaling of $5,200,000 from the Company and LionGold, as guarantors of performance securities in respect of the contract entered into between the customer and IPT together with its 49% owned associate, Industrial Power (Thailand) Co., Ltd, on grounds of project delays. Pursuant to the claims, LionGold provided the Company with a loan of $3,505,000 to repay the Company's share of the claims and for IPT's working capital purposes.

16. Borrowings (cont'd)

Loans from holding company of a former corporate shareholder of IPT (cont'd)

In 2016, LionGold announced that it will assign the benefits of $3,505,000 under the loan to a third-party investor in three portions. LionGold has assigned $1,000,000 to the investor during the financial year ended 31 December 2016 and the remaining loan amount of $2,505,000 as at 31 December 2017 was unsecured, interest bearing at 8% per annum.

During the financial year ended 31 December 2018, the principal loan amount of $2,505,000 were fully converted into ordinary shares of the Company.

In the current financial year, the Company made a payment of $250,000 and LionGold agreed to waive interest payable amounting to $268,000 (Note 23). The remaining outstanding interest payable as at 31 December 2019 is $50,000.

Loan from a subsidiary

Loan from a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

*Redeemable convertible bonds ("**RCBs**")*

	Group and Company	
	2019	2018
	$'000	$'000
Liability component at beginning of the financial year	**737**	644
Redemption of liability component	**(250)**	–
Amortisation of interest expense (Note 25)	**10**	93
Liability component at end of the financial year	**497**	737
Derivative liability conversion component at beginning of the financial year	**72**	132
Redemption of derivative liability conversion component	**(22)**	–
Gain on fair value of derivative liability conversion component	**(6)**	(60)
Derivative liability conversion component at end of the financial year	**44**	72
Representing:		
Current		
Liability component	**497**	249
Derivative liability conversion component	**44**	23
	541	272
Non-current		
Liability component	**–**	488
Derivative liability conversion component	**–**	49
	–	537
	541	809

16. Borrowings (cont'd)

*Redeemable convertible bonds ("**RCBs**") (cont'd)*

(i) As at 31 December 2019, the Company had issued RCBs representing a total of 16 (2018: 16) sub-tranche of the Tranche 1 RCBs with an aggregate sum of $8,000,000 (2018: $8,000,000).

(ii) As at 31 December 2019, the subscribers of the RCBs had exercised their rights to convert RCBs with an aggregate principal value of $7,250,000 (2018: $7,250,000) into a total of 8,963,235,291 (2018: 8,963,235,291) ordinary shares of the Company.

(iii) On 28 February 2019, the Company redeemed $250,000 RCBs in full as the subscriber did not exercise its conversion right upon expiration of the RCBs.

(iv) As at 31 December 2019, the principal value of RCBs that have been issued but yet to be converted into the Company's shares amounted to $500,000 (2018: $750,000).

(v) On 31 March 2020, the RCB's redemption date has been extended to 31 May 2020 (Note 39(d)).

The RCBs carry interest of 2% (2018: 2%) per annum and are convertible into ordinary shares of the Company at the holder's option at the share conversion price valued at 90% of the average of the traded volume weighted average price per share of the Company for any 3 consecutive market days immediately preceding the relevant conversion date.

Derivative liability conversion component on the RCBs

The derivative liability conversion component relates to the conversion option of RCBs that is recognised at its fair value, determined by applying the Black-Scholes valuation model. The fair value measurement is categorised in Level 2 fair value of the fair value hierarchy.

Advances from the subscriber of RCBs

During the financial year ended 31 December 2018, advances from the subscriber of RCBs of $100,000 was unsecured and interest-free. The advances had been fully repaid in current financial year.

Determination of fair value of borrowings

The carrying amount of borrowings approximates its fair value at the end of the respective financial year.

Based on discounted cash flows using market lending rate for similar borrowings which the management expects would be available to the Group at the end of the respective financial year, the fair value of the non-current borrowings at the end of the respective financial year approximates its carrying value as there are no significant changes in the interest rate available to the Group at the end of the respective financial year. This fair value measurement is categorised within Level 3 of the fair value hierarchy.

16. Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flow arising from financing activities:

	Term loan $'000	Loans from holding company of a former corporate shareholder of IPT $'000	Redeemable convertible bonds ("RCBs") $'000	Advances from the subscriber of RCBs $'000	Lease liabilities $'000	Total $'000
At 1 January 2019	77	568	809	100	–	1,554
Adoption of SFRS(I) 16	–	–	–	–	198	198
Additions	–	–	–	–	218	218
Changes from financing cash flows:						
- Proceeds	1	–	–	–	–	1
- Repayment	(10)	(250)	(250)	(100)	(253)	(863)
- Interest paid	(2)	–	–	–	(9)	(11)
Non-cash changes:						
- Interest expense	3	–	10	–	9	22
- Write off loan	–	(268)	–	–	–	(268)
- Fair value gains on RCBs	–	–	(28)	–	–	(28)
Effect of changes in foreign exchange rates	–*	–	–	–	–	–*
At 31 December 2019	**69**	**50**	**541**	**–**	**163**	**823**
At 1 January 2018	384	3,034	776	100	131	4,425
Changes from financing cash flows:						
- Proceeds	–	–	–	–	876	876
- Repayment	(37)	–	–	–	(138)	(175)
- Interest paid	(32)	–	–	–	(50)	(82)
- Disposal of a subsidiary	(270)	–	–	–	(928)	(1,198)
Non-cash changes:						
- Interest expense	32	39	93	–	109	273
- Fair value gains on RCBs	–	–	(60)	–	–	(60)
- Conversion of shares	–	(2,505)	–	–	–	(2,505)
Effect of changes in foreign exchange rates	–*	–	–	–	–*	–*
At 31 December 2018	77	568	809	100	–	1,554

* Amount less than $1,000.

17. Provision for employee benefits

	Group		
		(Restated)	(Restated)
	31.12.2019	31.12.2018	1.1.2018
	$'000	$'000	$'000
Provision for employee benefits	**105**	93	90

Provision for employee benefits relates to the Group's estimated liabilities for employee benefits under the Group's Indonesian operating entity. The principal actuarial assumptions used to estimate liabilities for employee benefits under defined benefits plans are based on independent actuarial report of PT Kompujasa Aktuaria Indonesia for the financial year ended 31 December 2019 and 2018 are based on actuarial report dated 27 January 2020 and 24 January 2019 respectively.

The movements in the provision for employee benefits are as follows:

	Group	
	2019	2018
	$'000	$'000
At 1 January	**93**	90
Current service costs	**8**	8
Interest expense	**8**	6
Actuarial loss	**(7)**	(6)
Currency realignment	**3**	(5)
At 31 December	**105**	93

18. Contract liabilities

Contract liabilities relate to advance consideration received from customers and deferred income. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with customers.

	Group		
	2019	2018	1.1.2018
	$'000	$'000	$'000
Trade receivables from contracts with customers	**2,105**	1,716	5,007
Contract liabilities	**868**	1,466	322

Significant changes in the contract liabilities balances during the financial year are as follows:

	Group	
	2019	2018
	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**1,466**	322
Revenue recognised during the financial year	**(1,466)**	(322)
Increases due to advances received and deferred income, excluding amounts recognised as revenue during the financial year	**868**	1,466
	868	1,466

19. Deferred income tax (assets)/liabilities

	Group	
	2019	2018
	$'000	$'000
At beginning of the financial year	**21**	113
Transfer to profit or loss (Note 27)	**8**	3
Disposal of a subsidiary (Note 30)	**–**	(92)
Translation difference	**2**	(3)
At end of the financial year	**31**	21
Representing:		
Non-current		
Deferred income tax assets	**–**	(1)
Deferred income tax liabilities	**31**	22
At end of financial year	**31**	21

Deferred income tax liabilities provided for as at the end of the financial year are related to the following:

	Group	
	2019	2018
	$'000	$'000
Accelerated tax depreciation	**5**	22
Other temporary differences	**26**	–
	31	22

Deferred income tax liabilities of $23,000 (2018: $19,000) have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company as the Group has determined that the undistributed earnings of its subsidiary will not be distributed in the foreseeable future. These unremitted earnings are permanently re-invested and amounted to $234,000 (2018: $119,000) at the end of the financial year.

20. Share capital

	Group and Company			
	2019		2018	
	Number of shares	**Issued share capital**	Number of shares	Issued share capital
	'000	**$'000**	'000	$'000
Issued and fully paid				
At beginning of the financial year	**16,174,767**	**67,959**	12,140,221	63,924
Issuance of ordinary shares of the Company	**500,000**	**500**	4,034,546	4,035
At end of the financial year	**16,674,767**	**68,459**	16,174,767	67,959
Less:				
Share issue expenses				
At beginning of the financial year	**–**	**(658)**	–	(650)
Share issuance cost	**–**	**–**	–	(8)
At end of the financial year	**–**	**(658)**	–	(658)
Net	**16,674,767**	**67,801**	16,174,767	67,301

20. Share capital (cont'd)

The Company has only one class of shares

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

Details of ordinary shares of the Company issued during the financial year are as follows:

	Group and Company			
	2019		2018	
	Number of shares	**Issued share capital**	Number of shares	Issued share capital
	'000	**$'000**	'000	$'000
Debt Conversion Shares (Note (i))	**–**	**–**	2,504,879	2,505
Performance Share Plan Shares (Note (ii))	**–**	**–**	1,529,667	1,530
Option Shares (Note (iii))	**500,000**	**500**	–	–
	500,000	**500**	4,034,546	4,035

Note (i) - Debt Conversion Shares

During the financial year ended 31 December 2016, the Company entered into a debt conversion agreement with a third-party investor whereby the Company agreed to grant an option to the investor to convert the loan of $3,505,000, upon assignment from LionGold to the investor (Note 16), into 3,504,878,770 Debt Conversion Shares of the Company. As at 31 December 2016, the investor exercised the debt conversion option after the loan of $1,000,000 was being assigned by LionGold to the investor and accordingly, the Company allotted and issued 1,000,000,000 Debt Conversion Shares of the Company at the price of $0.001 per Debt Conversion Share to the investor.

During the financial year ended 31 December 2018, the Company issued 2,504,879,000 ordinary shares of the Company ("**Debt Conversion Shares**") at the price of $0.001 per Debt Conversion Share to the investor by converting a debt of $2,505,000 owing to the investor.

Note (ii) - Performance Share Plan Shares

During the financial year ended 31 December 2018, the Company issued 1,529,667,000 ordinary shares at the price of $0.001 to the directors of the Company and key management personnel.

Note (iii) - Option Shares

During the financial year ended 31 December 2016, the Company entered into an option agreement with the investor whereby the Company will issue an aggregate of 5,000,000,000 transferable share options ("**Option Agreement**") with each option carrying the right to subscribe for one (1) new ordinary share of the Company ("**Option Shares**") at a minimum exercise price of $0.001 per Option Share to raise an amount of up to $5,000,000.

In financial year ended 31 December 2017, the Company received share option application monies of $50,000 from the investor.

During the financial year, 500,000,000 options is exercise under this option agreement and the Company allotted and issued 500,000,000 new shares, representing 2.99% of the enlarged share capital of the Company.

20. Share capital (cont'd)

There are no other ordinary shares of the Company that may be issued on conversion of any outstanding convertibles as at the end of the financial year except as follows:

	2019		2018	
	Number of shares	**Share capital**	Number of shares	Share capital
	'000	**$'000**	'000	$'000
RCB Conversion Shares (Note 16)				
New RCB Conversion Shares to be allotted and issued upon conversion of RCBs issued as at the end of the financial year, assuming conversion at the minimum price of $0.0009 (2018: $0.0009) per RCB Conversion Share	**555,556**	**500**	833,333	750
	555,556	**500**	833,333	750

*Annica Performance Share Plan and the Annica Employee Share Option Scheme (collectively, the "**Schemes**")*

The aggregate number of ordinary shares of the Company that may be issued under the Schemes or any other share option or share scheme of the Company then in force shall not exceed 15% of the total number of issued ordinary shares of the Company from time to time. On 27 December 2018, the Company granted 42,500,000 ESOS Option under Annica Employee Share Option Scheme. The ESOS Option granted has a life span of ten years (28 December 2019 to 27 December 2028). None of the ESOS Option was exercised as at the end of the financial year.

The fair value of the Company's ESOS Options as at the date of grant is computed using the Black-Scholes model, taking into account the terms and conditions upon which the ESOS Options were granted.

The inputs to the model used are shown below:

Date of grant	**27 December 2018**
Share price	$0.001
Exercise price	$0.001
Expected volatility	156.12%
Expected option life	5
Risk-free interest rate	2.04%

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected ESOS Option life used is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. No other features of the option were incorporated into the measurement of fair value.

21. Other reserves

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Composition				
Capital reserve	**(1,334)**	(1,373)	**89**	50
Foreign currency translation reserve	**(446)**	(451)	**–**	–
	(1,780)	(1,824)	**89**	50
Movements				
Capital reserve				
At beginning of the financial year	**(1,373)**	(1,456)	**50**	50
Bonus issue shares	**–**	83	**–**	–
ESOS expenses	**39**	–	**39**	–
At end of the financial year	**(1,334)**	(1,373)	**89**	50
Foreign currency translation reserve				
At beginning of the financial year	**(451)**	(450)	**–**	–
Net currency translation differences of financial statements of foreign subsidiaries	**5**	(1)	**–**	–
At end of the financial year	**(446)**	(451)	**–**	–

Capital reserve comprises an excess of the cost of the acquisition over the proportionate amount of the carrying amount of (i) the net assets of the acquired non-controlling 22% interest in IES amounted to $117,000 during the financial year ended 31 December 2016; and (ii) the net assets of the acquired non-controlling 40% interest in P.J. Services Pte Ltd amounted to $1,389,000 during the financial year ended 31 December 2011.

Capital reserve also comprises share option application monies of $50,000, capitalisation of accumulated profits for the issue of bonus shares of $83,000, and ESOS expenses of $39,000.

Exchange differences relating to the translation of the financial statements of foreign subsidiaries from functional currencies into Singapore dollar are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve.

Other reserves are non-distributable.

22. Revenue

	Group	
	2019	2018
	$'000	$'000
Sales of goods	**8,491**	5,964
Services rendered	**590**	113
	9,081	6,077

22. Revenue (cont'd)

The following table provides a disaggregation disclosure of the Group's revenue by primary geographical market and timing of revenue recognition.

	Engineering services $'000	Oil and gas equipment $'000	Total $'000
Group			
2019			
Primary geographical markets			
Singapore	3	740	743
Malaysia	79	2,602	2,681
Indonesia	–	846	846
Thailand	–	1,422	1,422
Vietnam	965	135	1,100
China	429	–	429
Brunei & Myanmar	–	1,850	1,850
Others	–	10	10
	1,476	**7,605**	**9,081**
2018			
Primary geographical markets			
Singapore	19	–	19
Malaysia	–	2,636	2,636
Indonesia	–	1,552	1,552
Thailand	–	969	969
Vietnam	–	72	72
Brunei & Myanmar	–	828	828
Others	–	1	1
	19	6,058	6,077
Group			
2019			
Timing of revenue recognition			
At a point in time	1,476	7,109	8,585
Over time	–	496	496
	1,476	**7,605**	**9,081**
2018			
Timing of revenue recognition			
At a point in time	19	5,889	5,908
Over time	–	169	169
	19	6,058	6,077

Revenue recognised during the financial year from:

	Group	
	2019 $'000	2018 $'000
Amount included in contract liabilities at beginning of the financial year	**1,466**	322

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation as the performance obligation is part of the contracts that have original expected duration of one year or less.

23. Other income and interest income

	Group	
	2019	2018
	$'000	$'000
Other income		
Gain on disposal of property, plant and equipment	**77**	18
Commission income	**177**	1
Miscellaneous	**12**	57
Interest on loans from holding company of a former corporate shareholder of IPT waived (Note 16)	**268**	–
Fair value gain on RCBs (Note 16)	**28**	60
	562	136
Interest income		
Interest income from bank and deposits	**8**	3
Interest income from a third party	**197**	29
Interest income from an associate	**–**	5
	205	37

24. Other expenses

	Group	
	2019	2018
	$'000	$'000
Allowance for impairment of trade receivables (Note 33)	**8**	–
Fair value loss on financial assets at fair value through profit or loss (Note 9)	**1**	13
Foreign currency exchange loss/(gain)	**128**	(33)
Write-off of redeemable convertible bonds expenses	**–**	520
Legal claim accrued	**181**	–
Miscellaneous	**2**	26
	320	526

25. Finance costs

	Group	
	2019	2018
	$'000	$'000
Amortisation of interest expense on RCBs (Note 16)	**10**	93
Interest on lease liabilities (Note 36)	**9**	–
Interest on loans from holding company of a former corporate shareholder of IPT	**–**	39
Interest expense on RCBs	**12**	28
Interest on term loan	**3**	3
	34	163

26. Loss before tax from continuing operations

Loss before tax is determined after charging the following:

	Group	
	2019	2018
	$'000	$'000
Depreciation expense on property, plant and equipment	**62**	59
Depreciation expense on right-of-use assets	**222**	–
Directors' fees		
- Company	**164**	127
- Subsidiaries	**4**	12
Fees on audit services paid/payable to:		
- Auditor of the Company	**170**	163
- Other auditors	**17**	15
Fees on non-audit services paid/payable to:		
- Auditor of the Company	**14**	18
- Other auditors	**3**	3
Rental of office premises	**–**	210
Staff costs (Note A)	**2,288**	3,595

Note A - Staff costs

	Group	
	2019	2018
	$'000	$'000
Key management personnel*		
Wages, salaries and other related costs(1)(2)	**747**	2,169
Employer's contribution to defined contribution plans including Central Provident Fund	**36**	26
	783	2,195
Other staff		
Wages, salaries and other related costs(3)	**1,370**	1,308
Employer's contribution to defined contribution plans including Central Provident Fund	**135**	92
	2,288	3,595
* Comprise amounts paid to:		
Directors of the Company(1)(2)	**240**	1,975
Other key management personnel	**543**	220
	783	2,195

(1) Includes depreciation of right-of-use assets relating to a leasehold property rented for a director's accommodation amounted to $38,000 (2018: Nil).

(2) Included amount of $1,529,000 arising from Annica Performance Share Plan during the financial year ended 31 December 2018.

(3) Includes ESOS expenses amounted to $39,000 (2018: -**).

** Amount less than $1,000.

27. Income tax expense

	Group	
	2019	2018
	$'000	$'000
Income tax expense for the financial year consist of:		
From continuing operations		
Current income tax	**47**	116
Deferred income tax (Note 19)	**8**	3
	55	119
From discontinued operation		
Tax equity attributable to discontinued operation (Note 28)	**–**	119
	55	238

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to loss before income tax as a result of the following differences:

	Group	
	2019	2018
	$'000	$'000
(Loss)/profit before tax from:		
- continuing operations	**(312)**	(3,919)
- discontinued operation	**–**	312
	(312)	(3,607)
Tax at statutory rate of 17%	**(53)**	(613)
Effect of different tax rates in other countries	**20**	133
Statutory stepped income exemption	**(36)**	–
Non-deductible expenses	**73**	158
Income not subject to tax	**(84)**	(46)
Tax incentive	**(12)**	(10)
Utilisation of deferred tax assets previously not recognised	**(70)**	–
Deferred tax assets not recognised	**234**	616
Others	**(17)**	–
	55	238

As at 31 December 2019, the Group has unutilised tax losses of $19,024,000 (2018: $17,845,000) which are available to offset against future taxable income. The potential deferred tax asset has not been recognised in the statement of financial position in respect of unabsorbed tax losses and unutilised capital allowance due to the unpredictability of future profit streams.

The income tax benefits from the unutilised tax losses carried forward are available for an unlimited period subject to the conditions imposed by law except for unutilised tax losses of $40,000 that can only be carried forward up to 7 consecutive years of assessment in accordance to Malaysia tax legislation.

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2018: 17%) and 18.5% to 25% (2018: 24% to 25%) respectively for the year of assessment 2020.

28. Discontinued operation

During the financial year ended 31 December 2018, the Group disposed its entire shareholding interest in GPE for a cash consideration of $2,000,000 to a director of GPE.

In accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations, the results and cash flows for the Group for the previous financial year are presented separately as continuing operations and discontinued operation following the sale of GPE.

(a) An analysis of the results of discontinued operation is as follows:

	Group
	2018
	$'000
Revenue	9,330
Cost of sales	(8,248)
Gross profit	1,082
Expenses	(338)
Profit before tax from discontinued operation	744
Income tax expense	(119)
Profit after tax from discontinued operation	625
Loss on disposal of the discontinued operation (Note 30)	(432)
Profit from discontinued operation, net of tax	193

(b) The impact of the discontinued operation on the cash flows of the Group was as follows:

	Group
	2018
	$'000
Operating cash flows	(386)
Financing cash flows	(271)
Total cash outflows	(657)

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in Note 30.

(c) Profit before income tax of the Disposal Group

Profit before income tax of the Disposal Group was arrived at after charging:

	Group
	2018
	$'000
Interest expenses on borrowings	138
Depreciation of property, plant and equipment	196

29. Loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	2018
	$'000	$'000
Loss from continuing operations, net of tax ($'000)	**(455)**	(4,047)
Profit from discontinued operation, net of tax ($'000)	**–**	80
Loss for the year attributable to equity holders of the Company ($'000)	**(455)**	(3,967)
Weighted average number of ordinary shares on issue ('000)	**16,526,822**	14,171,941
Basic and diluted (loss)/earnings per share (cents)		
- Continuing operations	**(0.003)**	(0.029)
- Discontinued operation	**–**	0.001
Total continuing and discontinued operation	**(0.003)**	(0.028)

There was no difference between the basic and diluted (loss)/earnings per share as the effect of all potentially dilutive shares outstanding was anti-dilutive for the financial years ended 31 December 2019 and 31 December 2018.

30. Disposal of a subsidiary

As disclosed in Note 28 to the financial statements, the Company completed the disposal of the Disposal Group during the financial year ended 31 December 2018.

Effect of disposal of a subsidiary on the consolidated statement of cash flows are:

	2018
	$'000
Non-current asset	
Property, plant and equipment	2,064
Current assets	
Inventories	731
Trade and other receivables	5,929
Cash and bank balances	12
Total current assets	6,672
Non-current liabilities	
Trade and other payables	1,696
Borrowings	964
Deferred tax liabilities	92
Total non-current liabilities	2,752
Current liabilities	
Trade and other payables	3,600
Borrowings	234
Tax payable	256
Total current liabilities	4,090
Foreign currency reserve	40
Net assets derecognised	1,934

30. Disposal of a subsidiary (cont'd)

Effect of disposal of a subsidiary on the consolidated statement of cash flows are: (cont'd)

	2018
	$'000
Loss on disposal of subsidiary	
Consideration received	2,000
Net assets derecognised	(1,934)
Non-controlling interests derecognised	522
Goodwill arising on consolidation	(1,020)
Loss on disposal of a subsidiary (Note 28)	(432)
Net cash inflow arising on disposal:	
Cash consideration received	2,000
Consideration receivable from disposal	(1,600)
Cash and bank balances disposed of	(12)
	388

The impact of disposal of the Disposal Group on the Group's results and cash flows are disclosed in Note 28.

31. Significant related party transactions

Some of the Group's and the Company's transactions and arrangements are between entities of the Group and with related parties, the effects of which, on basis determined between the parties, are reflected in these consolidated financial statements. The balances with these parties are unsecured, interest-free and repayable on demand unless stated otherwise.

In addition to the information disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2019	2018
	$'000	$'000
Associate		
Payment made on behalf of	–	13
Advance to	–	46
Fees payable/paid to a firm in which a director is an equity partner		
Professional fee		
- current year	–	(89)

32. Segment information

Management has determined that the Group's reportable segments are its business segments.

Business Segments

	Engineering services $'000	Oil and gas equipment $'000	Investments and others $'000	Elimination $'000	Total $'000
For the financial year ended 31 December 2019					
Revenue					
External sales	1,476	8,988	–	(1,383)	9,081
Inter-segment sales	–	(1,383)	–	1,383	–
Total revenue	1,476	7,605	–	–	9,081
Results					
Segment results	97	609	(1,188)	(1)	(483)
Interest income	7	8	197	(7)	205
Interest expense	–	(9)	(32)	7	(34)
Profit/(loss) before income tax	104	608	(1,023)	(1)	(312)
Income tax	–	(55)	–	–	(55)
Profit/(loss) for the financial year	104	553	(1,023)	(1)	(367)
Other information					
Capital expenditure	–	373	4	–	377
Depreciation of property, plant and equipment					62
Depreciation of right-of-use assets					260
Fair value loss on financial assets at fair value through profit or loss					1
Fair value gain on redeemable convertible bonds					(28)
Interest on loans from holding company of a former corporate shareholder of IPT waived					(268)
					27
Assets					
Non-current assets	–	525	112	–	637
Other segment assets	991	3,880	7,195	(3,184)	8,882
Consolidated total assets					9,519
Liabilities					
Segment liabilities	559	2,072	2,186	(572)	4,245
Borrowings	–	176	1,012	(365)	823
Current income tax liabilities	–	37	–	–	37
Deferred tax liabilities	–	31	–	–	31
Consolidated total liabilities					5,136

32. Segment information (cont'd)

Business Segments (cont'd)

	Engineering services $'000	Oil and gas equipment $'000	Investments and others $'000	Elimination $'000	Continuing operations $'000	Discontinued operation $'000	Total $'000
For the financial year ended 31 December 2018							
Revenue							
External sales	19	6,715	–	(657)	6,077	9,330	15,407
Inter-segment sales	–	(657)	–	657	–	–	–
Total revenue	19	6,058	–	–	6,077	9,330	15,407
Results							
Segment results	(389)	270	(3,250)	(424)	(3,793)	450	(3,343)
Interest income	17	3	176	(159)	37	–	37
Interest expense	–	(3)	(176)	16	(163)	(138)	(301)
(Loss)/profit before income tax	(372)	270	(3,250)	(567)	(3,919)	312	(3,607)
Income tax	–	(119)	–	–	(119)	(119)	(238)
(Loss)/profit for the financial year	(372)	151	(3,250)	(567)	(4,038)	193	(3,845)
Other information							
Capital expenditure	–	36	4	–	40	1,034	1,074
Depreciation of property, plant and equipment	–	23	36	–	59	196	255
Fair value loss of financial assets at fair value through profit or loss					13	–	13
Fair value gain on redeemable convertible bonds					(60)	–	(60)
Bad debt recovered					(24)	(84)	(108)
Issuance of Performance Shares					1,530	–	1,530
Write-off of redeemable convertible bonds expenses					520	–	520
					2,038	112	2,150

32. Segment information (cont'd)

Business Segments (cont'd)

	Engineering services $'000	Oil and gas equipment $'000	Investments and others $'000	Elimination $'000	Continuing operations $'000	Discontinued operation $'000	Total $'000
For the financial year ended 31 December 2018							
Assets							
Non-current assets	–	300	47	–	347	–	347
Other segment assets	877	3,443	7,408	(2,610)	9,118	–	9,118
Consolidated total assets					9,465	–	9,465
Liabilities							
Segment liabilities	550	1,996	1,441	(457)	3,530	–	3,530
Borrowings	–	77	1,477	–	1,554	–	1,554
Current income tax liabilities	–	115	–	–	115	–	115
Deferred tax liabilities	–	22	–	–	22	–	22
Consolidated total liabilities					5,221	–	5,221

<u>Geographical information</u>

The following table shows the revenue, the carrying amounts of segment assets and additions to property, plant and equipment and right-of-use assets analysed by geographical information:

	Revenue		Segment assets		Capital additions	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
<u>Continuing operations</u>						
Singapore	**4,764**	2,105	**6,849**	6,901	**146**	4
Malaysia	**2,602**	3,213	**1,790**	2,156	**18**	1
Indonesia	**236**	534	**300**	152	**8**	35
Brunei	**1,479**	225	**580**	256	**205**	–
	9,081	6,077	**9,519**	9,465	**377**	40
<u>Discontinued operation</u>						
Malaysia	**–**	9,330	**–**	–	**–**	1,034
	9,081	15,407	**9,519**	9,465	**377**	1,074

<u>Information about major customer</u>

Revenue of approximately $1,463,000 (2018: $1,597,000) are derived from 1 (2018: 2) external customer who individually contributed 10% or more of the Group's revenue reported under continuing operations. The details are as follows:

	<u>Attributable segments</u>	**2019 $'000**	2018 $'000
Customer 1	Oil and gas equipment	**–**	678
Customer 2	Oil and gas equipment	**–**	919
Customer 3	Oil and gas equipment	**1,463**	–
		1,463	1,597

33. Financial instruments

Categories of financial instruments

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

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets at fair value through profit or loss	**9**	105	**103**	104
Financial assets at amortised costs	**8,032**	8,790	**4,536**	4,891
	8,041	8,895	**4,639**	4,995
Financial liabilities, at amortised cost				
- Payables and borrowings	**3,999**	3,445	**2,643**	2,508
Derivatives liabilities conversion component on redeemable convertible bonds	**44**	72	**44**	72
	4,043	3,517	**2,687**	2,580

Financial risk management

The Group's overall risk management framework is set by the Directors of the Company which sets out the Group's overall business strategies and its risk management philosophy. The Group's overall risk management approach seeks to minimise potential adverse effects on the financial performance of the Group.

There has been no change to the Group's exposure to these financial risks or the way in which it manages and measures financial risk. Market risk, credit risk and liquidity risk exposures are measured using sensitivity analysis indicated below.

(a) Market risk

Foreign exchange risk

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("**foreign currencies**") such as the United States Dollar ("**USD**"), Malaysian Ringgit ("**RM**") and Singapore dollar ("**SGD**").

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, individual Group entities manage as far as possible by natural hedges of matching assets and liabilities.

33. Financial instruments (cont'd)

Financial risk management (cont'd)

(a) Market risk (cont'd)

Foreign exchange risk (cont'd)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. The Group's currency exposure based on the information provided to key management is as follows:

	USD	**RM**	**SGD**
	$'000	**$'000**	**$'000**
Group			
2019			
Financial assets			
Cash and cash equivalents and fixed deposits	479	–	15
Trade and other receivables	1,696	7	234
	2,175	7	249
Financial liabilities			
Trade and other payables and borrowings	(908)	(8)	(205)
Net financial assets/(liabilities) and net currency exposure	**1,267**	**(1)**	**44**
2018			
Financial assets			
Cash and cash equivalents and fixed deposits	830	–	18
Trade and other receivables	1,210	–	2
	2,040	–	20
Financial liabilities			
Trade and other payables and borrowings	(307)	(8)	(273)
Net financial assets/(liabilities) and net currency exposure	1,733	(8)	(253)

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

	(Decrease)/increase loss after tax	
	2019	2018
	$	$
Group		
USD/SGD		
- strengthened 5%	**(63)**	(86)
- weakened 5%	**63**	86

33. Financial instruments (cont'd)

(a) Market risk (cont'd)

Company

As at the end of the respective financial year, there is no currency risk exposure for the financial assets and liabilities as they are all denominated in the Company's functional currency.

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for foreign exchange risk of RM and SGD is not disclosed as the effect on the loss after tax is considered not significant if the foreign currencies changes against the SGD by 5% (2018: 5%) with all other variables including tax rate being held constant.

Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified as fair value through profit or loss on the statement of financial position as at 31 December 2019. These securities are listed on the Singapore Exchange. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analysis for price risk is not disclosed if prices for equity securities change by 10% (2018: 10%) with all other variables including tax being held constant, as the effect on profit or loss is considered not significant.

Interest rate risk

The Group's interest rate for short term bank deposits is fixed. The Company's interest rate for loan to subsidiaries is at fixed rate. For interest income from the fixed deposits, the Group manages the interest rate risks by placing fixed deposits with reputable financial institutions on varying maturities and interest rate terms. The debt obligations of the Group and the Company mainly pertain to its term loan from bank, loans from the holding company of a former corporate shareholder of a subsidiary, lease liabilities and redeemable convertible bonds are at fixed rates. The Group does not hedge its interest rate risk.

The Group and the Company ensures that it borrows at competitive interest rates under favourable terms and conditions.

Sensitivity analysis of the Group's and Company's interest rate risk exposures are not presented as the impact of an increase/decrease of 50 (2018: 50) basis points in interest rates are not expected to be significant.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate exposure is significant in relation to the Group's total credit exposure. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

33. Financial instruments (cont'd)

(b) Credit risk (cont'd)

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

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

Significant increase in credit risk

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

33. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Significant increase in credit risk (cont'd)

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes. Where information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Maximum exposure and concentration of credit risk

The Group's trade receivables comprise 4 debtors (2018: 2 debtors) that represented between 13% to 20% (2018: 11% and 16%) of the trade receivables.

The credit risk on cash and cash equivalents is limited because the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies.

As the Group and Company do not hold any collateral for trade and other receivables, except for the consideration due from disposal of GPE as disclosed in Note 7, the maximum exposure to credit risk is the carrying amount of the respective class of financial instruments presented on the statement of financial position.

33. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables. The Group estimates the expected credit loss rates of the debtors based on multiple factors, including the age of the balances, recent payments, outlook of relevant economic environments and any other available information concerning the creditworthiness of each individual debtor. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

The Group has recognised a 100% loss allowance against all trade receivables past due more than 1 year because historical experience indicates that these receivables are generally not recoverable.

Based on the simplified approach for determining credit loss allowance for trade receivables as at 31 December 2019, an allowance for impairment amounting to $780,000 (2018: $772,000) was recognised for credit-impaired receivables as a result of occurrence of credit impairment events.

Other financial assets at amortised cost

Other financial assets at amortised costs include other receivables, loan to a former corporate shareholder of a subsidiary, other recoverable, amount due from a former subsidiary, loan to a former subsidiary, advances to former subsidiaries, consideration receivable from disposal of GPE, loan to a subsidiary, cash and cash equivalents and fixed deposits.

The table below details the credit quality of the Group's financial assets (other than trade receivables):

2019	**12-month or lifetime ECL**	**Gross carrying amount $'000**	**Loss allowance $'000**	**Net carrying amount $'000**
Other receivables and security deposits	12-month ECL	97	–	97
Amount due from a former subsidiary (GPE)	Lifetime ECL	300	–	300
Loan to a former corporate shareholder of a subsidiary	12-month ECL	24	–	24
Other recoverable	Lifetime ECL	150	(150)	–
Loan to a former subsidiary (GPE)	Lifetime ECL	2,666	–	2,666
Advances to former subsidiaries	Lifetime ECL	11,171	(11,171)	–
Consideration due from disposal of GPE	Lifetime ECL	1,212	–	1,212
Cash and cash equivalents	N.A. Exposure Limited	1,286	–	1,286
Fixed deposits	N.A. Exposure Limited	324	–	324

33. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Other financial assets at amortised cost (cont'd)

The table below details the credit quality of the Group's financial assets (other than trade receivables) (cont'd):

2018	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables, security deposits and refundable deposit	12-month ECL	221	–	221
Amount due from a former subsidiary (GPE)	12-month ECL	300	–	300
Loan to a former corporate shareholder of a subsidiary	12-month ECL	24	–	24
Other recoverable	Lifetime ECL	150	(150)	–
Amount due from an associate	12-month ECL	28	–	28
Loan to a former subsidiary (GPE)	12-month ECL	2,560	–	2,560
Advances to former subsidiaries	Lifetime ECL	11,171	(11,171)	–
Consideration due from disposal of GPE	Lifetime ECL	1,600	–	1,600
Cash and cash equivalents	N.A. Exposure Limited	2,067	–	2,067
Fixed deposits	N.A. Exposure Limited	274	–	274

33. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Other financial assets at amortised cost (cont'd)

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

2019	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables and security deposits	12-month ECL	24	–	24
Amount due from a former subsidiary (GPE)	Lifetime ECL	300	–	300
Advances to subsidiaries	12-month ECL	115	–	115
Other recoverable	Lifetime ECL	150	(150)	–
Loan to a former subsidiary (GPE)	Lifetime ECL	2,666	–	2,666
Advances to former subsidiaries	Lifetime ECL	11,171	(11,171)	–
Consideration due from disposal of GPE	Lifetime ECL	1,212	–	1,212
Loan to a subsidiary	Lifetime ECL	165	–	165
Cash and cash equivalents	N.A. Exposure Limited	54	–	54

2018	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables and security deposits	12-month ECL	26	–	26
Amount due from a former subsidiary (GPE)	12-month ECL	300	–	300
Amount due from subsidiaries	12-month ECL	27	–	27
Advances to subsidiaries	12-month ECL	306	–	306
Other recoverable	Lifetime ECL	150	(150)	–
Amount due from an associate	12-month ECL	18	–	18
Loan to a former subsidiary (GPE)	12-month ECL	2,560	–	2,560
Advances to former subsidiaries	Lifetime ECL	11,171	(11,171)	–
Consideration due from disposal of GPE	Lifetime ECL	1,600	–	1,600
Cash and cash equivalents	N.A. Exposure Limited	54	–	54

33. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Movements in credit loss allowance

There are no movement in the allowance for impairment of financial assets under SFRS(I) 9 during the financial year for the Group and the Company except for the following:

	Group		Company
	Loan to a third party (Note 7)	Trade receivables (Note 7)	Advances to subsidiaries (Note 7)
	$'000	$'000	$'000
Balance at 1 January 2018 under FRS 39 and SFRS(I) 9	274	1,197	5
Receivables written off as uncollectable	(274)	(425)	(5)
Balance at 31 December 2018	–	772	–
Impairment loss on trade receivables	–	8	–
Balance at 31 December 2019	**–**	**780**	**–**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future after considering the measures to preserve cash and secure additional financing as described in Note 4.1.

The Group's financial liabilities based on the remaining year at the end of the financial year to the contractual maturity date based on contractual undiscounted cash flows are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Less than one year:				
Trade and other payables	**3,049**	2,064	**1,669**	1,164
Borrowings	**732**	961	**847**	951
	3,781	3,025	**2,516**	2,115
Between 2 to 5 years:				
Trade and other payables	**171**	–	**171**	–
Borrowings	**74**	582	**3**	539
	245	582	**174**	539
More than 5 years:				
Provision for employee benefits	**105**	–	**–**	–
Borrowings	**33**	27	**–**	–
	138	27	**–**	–
	4,164	3,634	**2,690**	2,654

33. Financial instruments (cont'd)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares and obtain new borrowings.

The Directors review the capital structure on a periodic basis. As part of the review, the Directors consider the cost of capital and other sources of funds, including borrowings from banks and redeemable convertible bonds.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by equity.

The capital structure of the Group consists of net equity of the Group comprising share capital, other reserves, accumulated losses and borrowings, less derivative liability conversion component on RCBs. The Group's overall strategy remains unchanged from 2018.

	Group	
	2019	2018
	$'000	$'000
Borrowings (Note 16)	**823**	1,554
Less: Derivative liability conversion component on RCBs	**(44)**	(72)
	779	1,482
Net equity of the Group	**5,102**	5,716
Gearing ratio	**0.15**	0.26

As disclosed in Note 4.1, the Directors believe that the Group has adequate resources to continue its operations as a going concern and the Group will continue to be guided by prudent financial policies of which gearing is monitored.

34. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Fair value of assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Group				
2019				
Financial assets				
Financial assets at fair value through profit or loss	**9**	**–**	**–**	**9**
Financial liabilities				
Derivative liability conversion component on RCBs	**–**	**44**	**–**	**44**
2018				
Financial assets				
Financial assets at fair value through profit or loss	9	–	96	105
Financial liabilities				
Derivative liability conversion component on RCBs	–	72	–	72
Company				
2019				
Financial assets				
Financial assets at fair value through profit or loss	**7**	**–**	**96**	**103**
Financial liabilities				
Derivative liability conversion component on RCBs	**–**	**44**	**–**	**44**
2018				
Financial assets				
Financial assets at fair value through profit or loss	8	–	96	104
Financial liabilities				
Derivative liability conversion component on RCBs	–	72	–	72

The fair values of trading securities traded in active markets are based on quoted market prices at the end of the respective financial year. The quoted market prices used for the trading securities held by the Group and the Company are the closing price as at the end of the respective financial year. These financial assets are included in Level 1.

The fair value of the derivative liability conversion component on RCBs is determined by using Black-Scholes Option Pricing Model, based on the strike price derived from the quoted market price of the Company at the end of the respective financial year. Management estimated the volatility rate and risk-free rate input in the Black-Scholes model to be 1% (2018: 1%) and 1.74% (2018: 2.04%) respectively.

Included in Level 3 are unquoted equity securities that are carried at fair value at the end of the respective financial year and adjusted for unobservable inputs.

34. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of non-current receivables and non-current borrowings approximate their fair values at the end of the respective financial year, as the market lending rate at the end of the respective financial year was not significantly different from either its coupon rate of the agreement or market lending rate at the initial measurement date.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

35. Operating lease commitments

At the financial year ended 31 December 2018, the commitments in respect of non-cancellable operating leases with terms from 1 to 4 years for the rental of office premises and photocopying machines from non-related parties were as follows:

	Group	**Company**
	2018	2018
	$'000	$'000
Not later than one financial year	88	69
Later than one financial year but not later than five financial years	50	50
	138	119

As disclosed in Note 3, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statements of financial position as at 1 January 2019.

36. Leases

The Group leases office premises, staff accommodation, office equipment and motor vehicles from non-related parties. The leases have an average tenure of between 1 to 5 years.

The Group's leasehold properties included in property, plant and equipment were reclassified to right-of-use assets as at 1 January 2019 upon adoption of SFRS(I) 16. The lease is for 99 years from 1995.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Note 13 and Note 16 respectively.

The maturity analysis of the lease liabilities is disclosed in Note 33(c).

Amounts recognised in profit or loss:

	Group	**Company**
	2019	**2019**
	$'000	**$'000**
Right-of-use assets depreciation charge for the year (Note 26)	**222**	**90**
Right-of-use assets depreciation charged to staff cost (Note 26)	**38**	**38**
	260	**128**
Interest expense on lease liabilities (Note 25)	**9**	**3**

Total Group and Company cash flows for leases amounted to $262,000 and $92,000, respectively.

37. Other Matters

Matters with Commercial Affairs Department

As announced by the Company on 4 April 2014 and 29 April 2014, the Company and certain of its subsidiaries, P.J. Services Pte Ltd, Nu-Haven Incorporated and IPT (which was disposed during the financial year ended 31 December 2016), were served with notices to provide the Commercial Affairs Department (the "**CAD**") with certain information and documents for the period from 1 January 2011 to 31 March 2014 in relation to its investigations into a potential offence under the Securities and Futures Act (Cap. 289) in respect of certain individuals. The Company has been co-operated fully with the CAD in its investigations.

On 3 February 2020, the CAD confirmed to the Company's external auditor that certain persons were charged with offences under the Securities and Futures Act, the Penal Code and Companies Act. One of them pled guilty to the charges and has been convicted accordingly. The other two are standing trial in the High Court. Investigations against persons who may have facilitated the offences are still on-going. The CAD has not provided the Company with any further details or updates of its investigations.

The business and day-to-day operations of the Group are not affected by the investigations and have continued as normal. However, the ongoing investigations have cast a negative outlook on the Company from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

38. Contingent liabilities

On 22 February 2019, the Company received a demand letter from the Company subsidiary's former employee, Mr Edwin Sugiarto ("**Mr Sugiarto**") represented by his solicitors for the sum of $416,784, made up of several items, including being wages, medical and expenses claims and a payment for a non-compete undertaking claim arises out of his cessation of employment with the Company. Subsequently, the Company had on 12 June 2019 been served with a writ of summons, endorsed with a statement of claim. Mr Sugiarto demanded a total amount of $416,784, together with costs and interests up to the date of full settlement.

On 1 April 2020, the Company entered into a settlement agreement with Mr Sugiarto for the amount of $300,000 being the full and final settlement of the claims, payable in 21 equal monthly instalments, the first instalments being due as and from the date of the said settlement agreement. The Company has, accordingly, provided for the amount of $300,000 (2018: $124,155).

39. Events after the financial year

Other than as disclosed elsewhere in these financial statements, subsequent to the financial year:

a) *Loan to a former subsidiary (GPE)*

On 15 January 2020, Ms Chong Shin Mun (the "**Purchaser**"), had granted 100,000,000 shares (as described in Note 7) to the Company, towards satisfying the outstanding scheduled payment of $100,000 on behalf of GPE. On 31 March 2020, the Company received cash of $30,000 from GPE, being the scheduled payment specified under the loan restructuring agreement.

39. Events after the financial year (cont'd)

b) *Consideration due from disposal of a subsidiary (GPE)*

On 4 March 2020, Ms Chong Shin Mun has transferred a further 50,000,000 Controlled Shares to Mr Shamsol Jeffri Bin Zainal Abidin for a consideration of $50,000, the amount has been fully paid to the Company and has been applied towards the discharge of the outstanding amount under Third Tranche Consideration.

On 9 March 2020, the Company and Purchaser entered into further definitive agreements under which the Purchaser granted certain rights of control and sale to the Company in respect of 62,670,000 shares held by the Purchaser in the Company ("**Further Controlled Shares**"), pursuant to a third supplemental letter agreement entered between the Company and the Purchaser on 2 March 2020, where the Purchaser shall:

(i) pay a sum of $50,000 upfront as part payment of the Fourth Tranche Consideration (the "**First Part Payment**");

(ii) continue to pay interest on the Fourth Tranche Consideration (the "**Interest**");

(iii) pay further sum of $5,000 as an extension fee monthly (the "**Extension Fee**") in addition to the Fourth Tranche Consideration and Interest commencing from the month of February 2020 and up to the date of full repayment of the Fourth Tranche Consideration and Interest.

c) On 18 March 2019, the Majority Shareholder of HTES ("**Majority Shareholder**"), the 49% subsidiary of the Company has undertaken to subscribe for 301,837 ordinary shares at RM1.00 each in the capital of HTES for a total subscription price of RM301,837 (approximate $99,365) ("**Subscription Price**") 31 December 2019 ("**Original Subscription Date**"). On 6 January 2020, the Company and HTES entered into a supplemental letter agreement with the Majority Shareholder to extend the Original Subscription Date to 31 March 2020, which was subsequently further extended to 31 May 2020 under a second supplemental letter entered into on 31 March 2020. RM216,183 (approximate $71,167) of the Subscription Price inclusive of interest remains outstanding from the Majority Shareholder.

d) On 31 March 2020, the Company entered into a letter agreement with Premier Equity Fund Sub Fund F and Value Capital Asset Management Private Limited to further extend the RCB's redemption date to 31 May 2020.

e) In light of the adverse impact on the Group activities from the current COVID-19 pandemic, which is difficult to assess at this point with regard to its severity and duration, given that economic activity has largely been disrupted in most parts of the world and may remain weak in the near term, the Group will continue to monitor closely the situation and continue to improve its financial position and conserve liquidity to withstand the current economy.

40. Comparative figures

In the current financial year, the Group presented provision for employee benefits in the statement of financial position as to better reflect the nature of the transactions.

As a result, certain items have been reclassified on the statements of financial position and related notes to the financial statements for the previous financial year ended 31 December 2018 and 1 January 2018. The items were reclassified as follows:

	Group		
	As previously reported	**Amount reclassified**	**As reclassified**
	$'000	**$'000**	**$'000**
Statements of financial position			
At 31 December 2018			
Trade and other payables	**2,064**	**(93)**	**1,971**
Provision for employee benefits	**–**	**93**	**93**
At 1 January 2018			
Trade and other payables	3,167	(90)	3,077
Provision for employee benefits	–	90	90

The reclassification did not have any effect on the net profit or the presentation of the statement of comprehensive income for the financial year ended 31 December 2018.

41. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 13 April 2020.

STATISTICS OF SHAREHOLDINGS

As at 1 April 2020

Issue and fully paid-up share capital	:	$68,459,351
Number of issued Shares	:	16,674,767,048
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote for each Share

The Company does not hold any treasury shares or subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 -99	3	0.08	21	0.00
100 - 1,000	160	4.42	111,399	0.00
1,001 - 10,000	502	13.88	3,713,592	0.02
10,001 - 1,000,000	2,556	70.67	523,004,210	3.14
1,000,001 and above	396	10.95	16,147,937,826	96.84
Total	3,617	100.00	16,674,767,048	100.00

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders as at 1 April 2020)

	Direct Interest		Deemed Interest	
	Number of Shares held	%	Number of Shares held	%
Lim In Chong	2,904,878,770	17.42	4,500,000,000[(1)(2)]	21.25
Shamsol Jeffri Bin Zainal Abidin	1,570,000,000	9.42	–	–
Sandra Liz Hon Ai Ling	1,092,619,845	6.55	–	–

Notes:

(1) Pursuant to the Option Agreement dated 11 February 2016 and the grant of 5,000,000,000 transferable share Options to Lim In Chong on 25 April 2017, and subsequent to the transfer of 500,000,000 Options to Shamsol Jeffri Bin Zainal Abidin as announced on 1 April 2019, Lim In Chong is an option holder of an aggregate of 4,500,000,000 share Options.

(2) The percentage of deemed interest is based on an enlarged share capital of the Company of 21,174,767,048 shares, assuming the exercise of all the 4,500,000,000 Options held by Lim In Chong.

STATISTICS OF SHAREHOLDINGS

As at 1 April 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1.	Lim In Chong	2,904,878,770	17.42
2.	Shamsol Jeffri Bin Zainal Abidin	1,570,000,000	9.42
3.	Phillip Securities Pte Ltd	1,444,615,400	8.66
4.	Sandra Liz Hon Ai Ling	1,092,619,845	6.55
5.	Citibank Nominees Singapore Pte Ltd	860,923,000	5.16
6.	RHB Securities Singapore Pte Ltd	685,198,000	4.11
7.	DBS Vickers Securities (S) Pte Ltd	619,018,073	3.71
8.	OCBC Securities Private Ltd	533,703,100	3.20
9.	Chong Shin Mun	504,000,000	3.02
10.	IPCO International Limited	500,000,000	3.00
11.	UOB Kay Hian Pte Ltd	386,145,000	2.32
12.	DBSN Services Pte Ltd	370,000,000	2.22
13.	Ong Siow Fong	309,000,000	1.85
14.	HSBC (Singapore) Nominees Pte Ltd	300,000,000	1.80
15.	DBS Nominees Pte Ltd	290,328,205	1.74
16.	Lim Sze Chia	248,578,900	1.49
17.	CGS-CIMB Securities (Singapore) Pte Ltd	143,707,300	0.86
18.	Raffles Nominees (Pte) Limited	126,386,300	0.76
19.	Low Koon Min	100,000,000	0.60
20.	Wong Chin Yong	100,000,000	0.60
	Total	**13,089,101,893**	**78.49**

SHAREHOLDINGS HELD BY PUBLIC

Based on the information provided to the Company as at 1 April 2020, there were 10,834,113,473 Shares held in the hands of the public, representing 64.97% of the total number of issued Shares of the Company. Accordingly, Rule 723 of the Catalist Rules has been complied with.

SUMMARY OF RESOLUTIONS TO BE TABLED AT THE ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING – SUMMARY OF INDICATIVE RESOLUTIONS TO BE TABLED

The Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020 (the "**COVID-19 Regulations**") came into force on 26 March 2020. The Regulations require all organisers of meetings to comply with the COVID-19 Regulations on social distancing for all gatherings and to limit the number of attendees to not more than 10 persons. The Regulations take effect from 27 March 2020 to 30 April 2020.

In view of the COVID-19 Regulations and the Singapore Exchange Regulation's ("**SGX RegCo**") regulatory announcement dated 7 April 2020 wherein the SGX RegCo announced that it would grant an automatic 60 day extension for issuers whose annual general meetings ("**AGMs**") are due during the period 16 April 2020 to 31 July 2020 to hold their AGMs, the Company will be deferring its AGM to a later day falling no later than 26 June 2020. Shareholders will receive the notice of AGM by or before 4 June 2020 and when the Company has determined an appropriate day to hold its AGM for FY2019.

The business that the Company will seek to transact at the AGM, when the date for convening the same has been determined by the Company, is expected to be as follows:

AS ORDINARY BUSINESS

1. The adoption of the audited financial statements for the financial year ended 31 December 2019, together with the Directors' Statement and Independent Auditors' Report.

2. The re-election of Mr. Su Jun Ming who is retiring by rotation pursuant to Regulation 95 of the Company's constitution.

3. The re-election of Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin, who is retiring by rotation pursuant to Regulation 94 of the Company's constitution.

4. The re-election of Mr. Shamsol Jeffri Bin Zainal Abidin, who is retiring by rotation pursuant to Regulation 94 of the Company's Constitution.

5. The re-election of Ms. Sandra Liz Hon Ai Ling, who is retiring pursuant to Rule 720(4) of the Catalist Rules.

6. The payment of Directors' fees for the financial year ending 31 December 2020.

7. The payment of Director's fees of $32,018 payable to Tan Sri Dato Seri Zulkefli Bin Ahmad Makinudin and Mr. Shamsol Jeffri Bin Zainal Abidin for the financial year ended 31 December 2019.

8. The re-appointment of Baker Tilly TFW LLP as the Independent Auditor of the Company.

AS SPECIAL BUSINESS

9. Approval from Shareholders for the authority for directors to allot and issue shares and convertible securities pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading limited.

The relevant information relating to each director proposed to be re-elected at the forthcoming AGM as required under Appendix 7F of the Catalist Rules will accompany the Notice of AGM to be issued at a later date. Shareholders are advised that the above is an indicative summary of the resolutions that are currently expected to be tabled for approval at the AGM when the date is determined, and they should read carefully the text of the actual resolutions (along with any further details or instructions regarding the conduct of the AGM) that will be set out in full in the notice of AGM when the same is published and issued. Shareholders should also note that the indicative resolutions above may be subject to change due to unforeseen circumstances.

ANNICA HOLDINGS LIMITED
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