MEMIONTEC
Membrane Ionexchange Technology

# CLEAR VISION *for* Sustainable Growth

ANNUAL REPORT 2019

# Contents



## SPONSOR STATEMENT

This annual report has been prepared by Memiontec Holdings Ltd. (the "Company") and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone: (65) 6636 4201.

# Corporate **Profile**

## *Vision*

To be recognised globally as the leading one stop water technology total solutions provider for water management.

## *Mission*


Memiontec Holdings Ltd. ("**Memiontec**") is a one-stop water technology total solutions provider in water management with a proven track record of over 20 years in water industry. Through the use of membrane, ion exchange, physical, chemical and biological processes and leveraging on our in-house design, engineering, fabrication and assembly capabilities, Memiontec develops reliable, compact, cost-effective, innovative and space-efficient customised water and wastewater treatment solutions for use in both municipalities and a wide variety of industries, in Singapore, Indonesia, the PRC and the region.

Our core business segments are the provision of total solutions with engineering, procurement and construction ("**TSEPC**") services, the operation, maintenance and service of water and wastewater treatment plants ("**OMS**") and the sales and distribution of modular and customised systems and equipment ("**SDS or Trading**"). In 2016, Memiontec diversified its business into the long-term operation and maintenance of water treatment facilities and sales of water ("**SOW**") through transfer-own-operate-transfer ("**TOOT**") and build-own-operate-transfer ("**BOOT**") projects, which involve partnerships or joint ventures ("**JV**") with public or private entities, for recurring income.

Memiontec is listed on the SGX-ST (SGX: SYM.SI) since March 2020. For more information on Memiontec, please visit www.memiontec.com.

## MAJOR MILESTONES

**1992**
Commenced operations in Singapore

**2004**
Incorporated subsidiaries in Indonesia - PTMP & PTMI[1]

**2015**
Incorporated MIT Water in the PRC

**2016**
Upgraded to ME11 L6 BCA contractor registration (No Tender Limit)
1st TOOT project with PT JUP[2]
1st BOOT project through PT JMA[3]

**2018**
Sales of water at TOOT project for 25 years

**2019**
Commissioned & handed over 1st BOOT project
Sales of water at BOOT project for 20 + 5 years

**2020**
Listed on the SGX Catalist on 5 March 2020

(1) PTMP: PT Memindo Pratama; PTMI: PT Memiontec Indonesia
(2) PT Jakarta Utilitas Propertindo ("PT JUP") is a wholly-owned subsidiary of PT Jakarta Propertindo, an enterprise which is ultimately owned by the state government, Daerah Khusus Ibukota Jakarta
(3) PT Jakpro Memiontec Air ("PT JMA") is a joint venture entity. The remaining 60.0% of PT JMA is owned by PT JUP, an independent third party to the Group

# Corporate **Structure**

MEMIONTEC
Membrane Ionexchange Technology

100%
**SINGAPORE**
M Water Resources International Pte. Ltd. (M Water)

100%
**PRC**
MIT Water Technology Co. Ltd. (MIT Water)

100%
**SINGAPORE**
Memiontec Pte. Ltd. (MPL)

100%
**SINGAPORE**
Memiontec Industries Pte. Ltd. (MIPL)

70%
**INDONESIA**
PT Memiontec Indonesia (PTMI)

98%*
**INDONESIA**
PT Memindo Pratama (PTMP)

30%

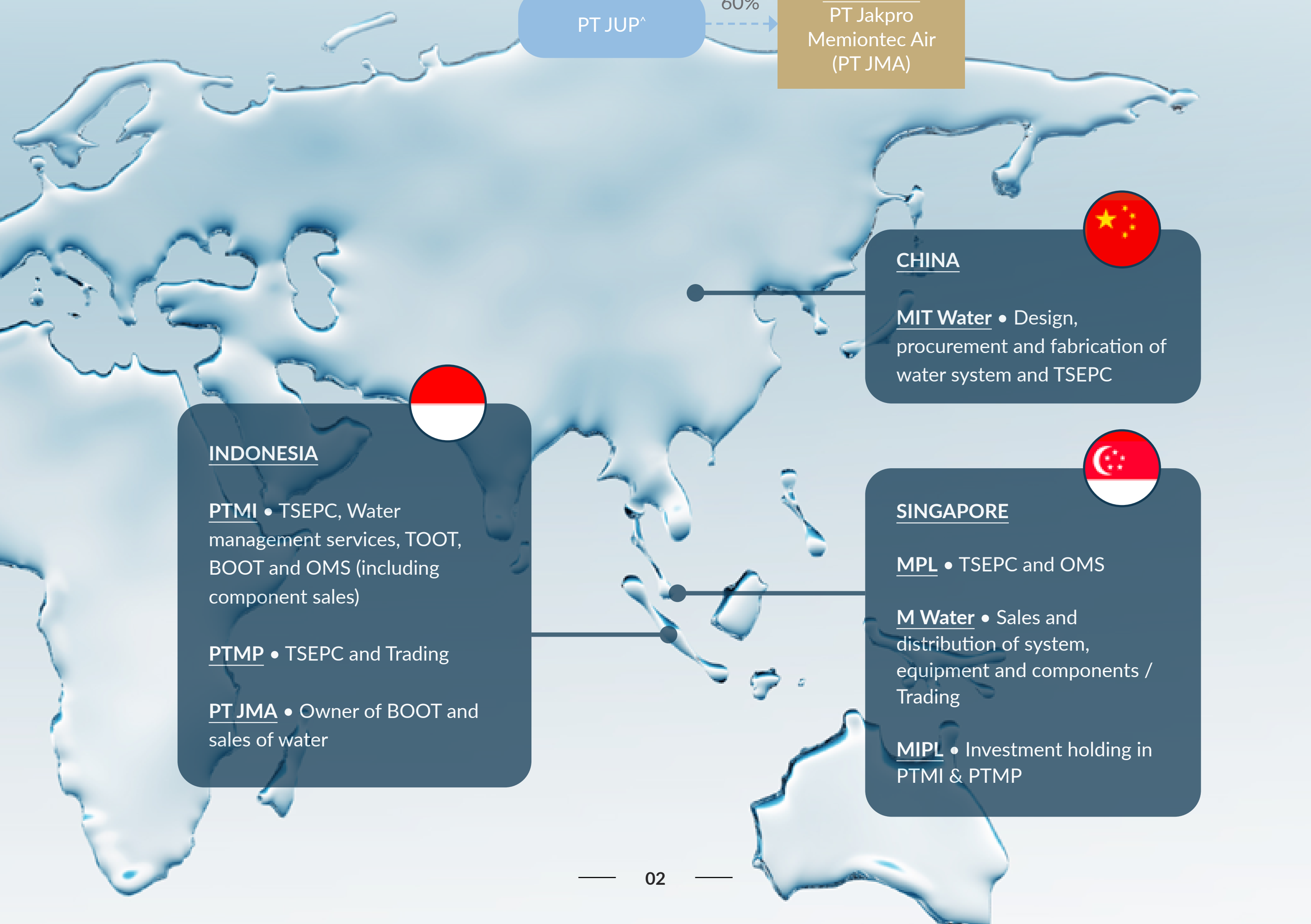
40%
**INDONESIA**
PT Jakpro Memiontec Air (PT JMA)

PT JUP^

60%

* The Company has established effective control over (i) 98.0% of PTMP; and (ii) a further 29.4% of PTMI through PTMP's 30.0% shareholding interest in PTMI, through MIPL, via a set of contractual agreements. Accordingly, PTMI and PTMP are considered a 99.4% subsidiary and 98.0% subsidiary of our Company respectively, from an accounting perspective.

^ PT JUP is a wholly-owned subsidiary of PT Jakarta Propertindo, an enterprise which is ultimately owned by the state government, Daerah Khusus Ibukota Jakarta.



**CHINA**

**MIT Water** • Design, procurement and fabrication of water system and TSEPC

**INDONESIA**

**PTMI** • TSEPC, Water management services, TOOT, BOOT and OMS (including component sales)

**PTMP** • TSEPC and Trading

**PT JMA** • Owner of BOOT and sales of water

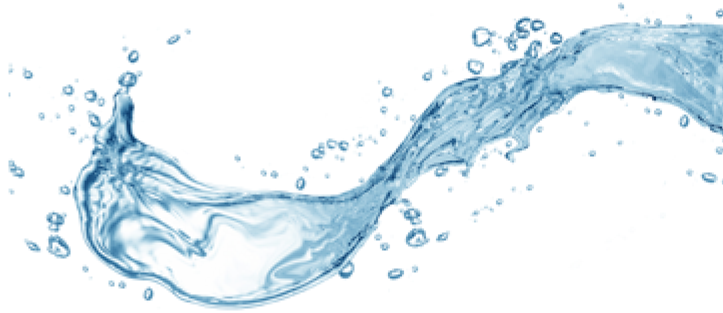
**SINGAPORE**

**MPL** • TSEPC and OMS

**M Water** • Sales and distribution of system, equipment and components / Trading

**MIPL** • Investment holding in PTMI & PTMP

# Our Core Businesses
# TSEPC



## OUR CORE COMPETENCIES, UNIQUE BUSINESS MODEL AND BOOT & TOOT PROJECTS

Memiontec has a proven 20-year track record and its business model is well diversified with distinct yet synergistic business segments, recurring income streams from equity investment in BOOT projects, a varied and an established customer base across a range of industries and a geographically diverse business footprint within Asia.

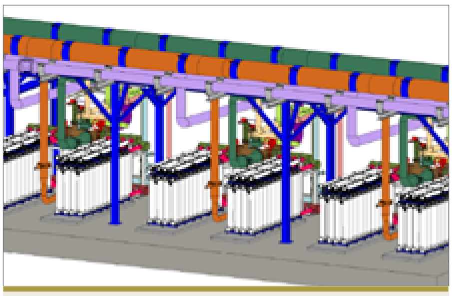
### Total solutions with engineering, procurement and construction (TSEPC) services

Our Group provides TSEPC services in the fields of water treatment solutions, wastewater treatment solutions, water recycling treatment solutions and sea water treatment and desalination solutions to our customers.

We leverage on our expertise and technological know-how to customise solutions using a combination of physical, chemical and biological processes to treat the water for a wide variety of municipal and industrial applications. We have established a base of loyal & reputable customers from various industries.

TSEPC contributed 66.7% or S$19.56 million of our Group's revenue of S$29.31 million in FY2019. In FY2018, TSEPC accounted for 81.0% or S$19.82 million of the Group's revenue of S$24.46 million.

Prospects for the segment are strong in both Singapore and Indonesia, supported by municipal and industrial water demand. However, the TSEPC segment is highly competitive in Singapore and is experiencing margin pressure. Our long-term strategy includes reducing our dependency on Singapore TSEPC revenue and increasing revenue contribution from Indonesia which offers abundant TSEPC opportunities, as well as increasing contribution from the Group's other three business segments.

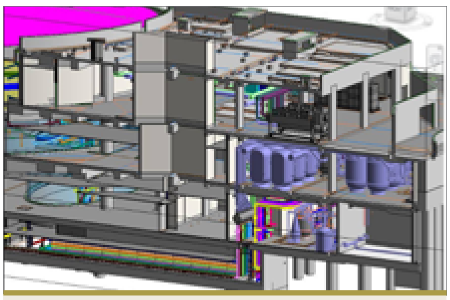


**Project:** Tuas South Desalination Plant, Singapore
**Type:** Municipal
**Scope:** TSEPC for replacement of Ultrafiltration membranes (UF)
**Period:** Since 2019, construction-in-progress

**Project:** Jurong Water Reclamation Plant, Singapore
**Type:** Municipal
**Scope:** TSEPC for Membrane Bioreactor (MBR) and SCADA(1)
**Period:** Since 2019, construction-in-progress

**Project:** Semakau Landfill, Singapore
**Type:** Municipal
**Scope:** TSEPC for wastewater treatment plant on floating barge
**Period:** Completed in 2016

**Project:** A multinational petrochemical company in Singapore
**Type:** Industrial
**Scope:** Recycling of treated wastewater
**Period:** Completed in 2018



**Project:** Mandai Bird Park, Singapore
**Type:** Private Sector
**Scope:** TSEPC for penguin life support system
**Period:** Since 2018, construction-in-progress

**Project:** Palm oil mill of Sinarmas Group
**Type:** Industrial
**Scope:** Pretreatment, Sea Water Reverse Osmosis (SWRO) and Mix Bed Polisher
**Period:** Completed in 2017

(1) SCADA = Supervisory Control and Data Acquisition system

# Our Core Businesses
# **OMS**

### Operation, maintenance and service of water and wastewater treatment plants (OMS)

Under the OMS segment, the services we provide consist of operational, preventive and corrective maintenance works to ensure the smooth running of our customers' operations in both municipal and private sectors. It may additionally include the provision of technical support and consultation for plant maintenance to TSEPC customers, customers with existing water and wastewater infrastructure as well as the Group's BOOT projects.

The duration of these contracts generally range from 1 to 3 years for both public and private sectors, and for long concessionary periods of 20 to 25 years for BOOT projects, translating into a source of steady recurring income to the Group during the contractual periods of the OMS contracts.

Some of the completed and on-going OMS tenders include biogas facilities, pumping stations, water reclamation plants and other industries in Singapore and Indonesia.

In FY2019, the sales revenue contribution from OMS increased by S$5.41 million to S$8.36 million, from S$2.95 million in FY2018, representing a year-on-year growth of 183.4%. This segment's contribution to total sales revenue rose from 12.1% in FY2018 to 28.5% in FY2019 as we secured several PUB contracts.

The segment's gross margins are typically higher than those of the TSEPC segment and we can pursue improvements in operational efficiencies to reduce costs and improve margins.

In addition, the OMS segment is synergistic to our TSEPC and Trading segments. Given the long-term need for clean, treated water in Singapore and Indonesia, many opportunities abound for us to render our OMS services.

**Project:** Changi Water Reclamation Plant (CWRP), Singapore
**Type:** Municipal
**Scope:** OMS for maintenance of bio-gas facilities
**Period:** On-going OMS contract

Mead Johnson, Singapore (Private Sector)

Pumping stations at PUB facilities, Singapore (Municipal)

# Our Core Businesses
# **SDS / Trading**

## Sales and distribution of water system and equipment (SDS or Trading)

Our Group supplies modular and customised water treatment systems, water treatment equipment, components or spare parts, and specialty and/or blended chemicals to our customers. We also supply complete customised skid-mounted water treatment facilities, and containerised desalination plants to the region.

The sales revenue contributed by Trading is 4.2% or S$1.22 million of the total sales revenue of FY2019. Gross margin is approximately 29.1% which is still attractive despite being lower than FY2018.

In FY2019, PTMI, the authorised distributor in the Indonesia market for membranes and media produced by reputable manufacturers in the global water industry, has been working closely with the principals to offer design and build solutions to both new and existing water treatment plants. We expect to secure orders for some of these prospective projects in FY2020 and increase the sales of the products that we distribute.

The following prestigious projects were completed using the two core products that we represent and distribute:

**Plant:** PT Jakpro Memiontec Air, Indonesia
**Type:** Municipal
**Application:** Ultrafiltration membrane or UF by Memcor of Australia

**Plant:** PT Jakpro Memiontec Air, Indonesia
**Type:** Municipal
**Application:** Moving Bed Biofilm Reactor or MBBR by Kuraray of Japan

Going forward, we intend to continue to capitalise on our PRC subsidiary's capabilities in detailed engineering, sourcing of materials, fabrication of systems and supply chain management and we expect these to support the increase in sales for this segment to markets such as the Middle East.

While the COVID-19 pandemic has created a lot of economic and supply chain uncertainties, Memiontec will continue to seek other cost effective alternatives and innovative ways to overcome the difficulties. As we expect water demand to continue to increase, we will push on with our sales and trading activities in both existing and prospective markets.

# Our Core Businesses
# BOOT/TOOT Projects

### Projects with recurring income – BOOT and TOOT Projects

Memiontec entered into a joint venture partnership with PT JUP for a Build-Own-Operate-Transfer (BOOT) project in 2016 and a Transfer-Own-Operate-Transfer (TOOT) project in 2017.

Our Indonesia subsidiary, PTMI, has since then executed the TSEPC work of the BOOT project and successfully completed and handed over the PT JMA plant in August 2019. For the TOOT project, we completed, within the timeline, the retrofitting of the plant for the sale of water to nearby residential and industrial customers starting from November 2018, with water transported by both water pipelines and trucks.

Both the BOOT and TOOT plants are our flagship projects. They have attracted significant positive publicity and have helped position Memiontec as a Singapore-based water company that can offer a fully integrated solution, from feasibility studies to the operation and maintenance of the plant. Memiontec will leverage on its excellent track record to secure similar types of investment and business collaboration opportunities.

### Sales of water

Memiontec is currently involved in the sales of treated water via the TOOT and BOOT arrangements.

In the TOOT project with PT JUP, the sales of water will be carried out by our joint operation formed with PT JUP, under the TOOT arrangement for 25 years from November 2018.

Revenue from sales of water in FY2019 was derived mainly from the TOOT project, which amounted to S$0.17 million and accounted for 0.6% of the total sales revenue. With gross profit margin of 65.2%, this segment contributed a gross profit of S$0.11 million to the Group.

In the BOOT project with PT JUP, our joint venture entity with PT JUP will be responsible for the sales of water for a concession period of 20 plus 5 years from December 2019 where the Group will account for the joint venture's results using equity method of accounting. The operations and maintenance of the water and wastewater treatment plants of PT JMA are outsourced to a subsidiary of the Group, PTMI, for the similar period.

The scarcity of clean water in Indonesia and the significant demand gap has led the Indonesian government to drive more water supply projects, of which the BOOT model is a common form. As such, we intend to pursue more BOOT projects, which will boost our water sales revenue.

**Hutan Kota BOOT Project**

*Our BOOT project serves customers located in the nearby vicinity via PDAM, an Indonesian regional water utility company.*


| | | |
|---|---|---|
| **Location** | : | Hutan Kota, Jakarta, Indonesia |
| **Construction period** | : | Completed in 2019 |
| **Capacity** | : | 500 litres/second (43,200 $m^3$/d) |
| **Concessionary period** | : | 20 + 5 years from 2019 |

**Waduk Pluit TOOT Project**

*Our TOOT project generates profits through the sale of water to external partners.*

| | | |
|---|---|---|
| **Location** | : | Waduk Pluit, Jakarta, Indonesia |
| **Upgrading period** | : | Completed in 2018 |
| **Capacity** | : | up to 2,500 $m^3$/day |
| **Concessionary period** | : | 25 years from 2018 |

# Market Potential **and Future Plans**

## MARKET POTENTIAL

Despite uncertainty from COVID-19, Memiontec believes the scarcity of usable water in Singapore and Indonesia; increasing environmental awareness; continued industrialisation and growth of countries after economic recovery; and the need for the region to meet rising water and wastewater treatment demands will enhance the prospects for our Group.

### INDONESIA

#### Urgent Demand for Clean Water

Nearly 1 in 2 Indonesians lack access to safe water and over 70% of the population rely on potentially contaminated water sources[1]. Indonesia's water demand is predicted to change in the following ways, with clean water supply needs in Jakarta rising from 28 cubic metres per second ("$m^3/s$") in 2017 to 41.6 $m^3/s$ in 2030[2], urban domestic demand rising from 190 $m^3/s$ in 2015 to 260 $m^3/s$ in 2030[3], industrial demand doubling from 14 $m^3/s$ in 2013 to 29 $m^3/s$ in 2030[3], and water required to produce energy rising from 90 $m^3/s$ in 2012 to 737 $m^3/s$ by 2050[3].

#### Inadequate Supply of Water Sources

Compared to many countries in the world, Indonesia has a low water storage (e.g. reservoirs) capacity per capita, indicating a severe shortage of raw water supply. Groundwater is over-exploited and depleted in most urbanised areas. The water quality in most rivers and lakes is poor. The government intends to develop more water containing facilities to increase water supply.

#### Strong Government-driven Initiatives to Boost Water Supply

The Public-Private Partnership ("**PPP**") Framework was introduced to mobilise private sector investment for the development and maintenance of water supply infrastructure and distribution network. Many of these projects adopt the BOOT model. As at February 2019, there were a total of five solicited projects either in operation, under construction or in progress with an additional three private sector-initiated projects and seven prospective projects involving water supply[4].

### SINGAPORE

#### Increase in Water Catchment Coverage

With water catchment areas to cover 90% of land area by 2060[5], there will be a greater need to maintain, upgrade and expand the existing water catchment network, water pumping stations and water treatment plants.

#### Recycled Water to meet Increasing Demand

Municipal water demand is expected to almost double by 2060[6] of which up to 55% will be met by NEWater. To achieve this, the government has started implementing the Tuas Water Reclamation Plant that will generate S$2 billion of work for the water industry.

## FUTURE PLANS

#### Expand and extend businesses in existing markets

- Singapore: To seek public tenders for larger scale and industrial projects under TSEPC and OMS across various sectors
- Indonesia: To pursue TSEPC and OMS projects in various sectors and more investments in TOOT and BOOT projects
- The PRC: Provide systems and equipment to improve our cost-efficiency and pursue selected TSEPC projects
- Others: Consultancy and front-end engineering design services and distribute our own brand of water treatment chemicals and components

#### Expand into new geographical markets

- Pursue expansion in Southeast Asia and beyond via business collaboration, strategic alliances, joint ventures or investments

#### Expand through mergers and acquisitions

- To gain access to new markets with the right local partners
- To strengthen market position and develop our total solutions and supply chain more effectively

#### Invest or co-invest in more BOOT and TOOT projects

- Generate recurring and potentially stable income streams

#### Further advancement in water and wastewater treatment technologies

- Develop innovative, cost effective and space-efficient processes and systems
- Collaborate with renowned industry players and research institutes

#### Increase in Desalination Capacity

Singapore plans to increase its desalination capacity so that desalinated water can meet up to 30% of water needs in 2060. Two additional desalination plants at Marina East and Jurong Island are slated to be completed in 2020[7].

#### Boost for Industrial Water Demand

Industrial demand for treated water is expected to increase from the existing 55% to 70% by 2060[8]. Adding to it is PUB's S$26 million fund for firms in water-intensive industries to increase industrial water savings by 3 million gallons per day yearly. As at 3 June 2019, 22 such projects have been implemented, with 13 to be completed by 2021 and an additional 34 in the pipeline[9].

The following were accessed in March 2020:

1 World Bank, "Six Million Indonesians Will Gain Access to Water at Home"
2 Asia Sentinel, "Indonesia's Growing Water Safety Crisis"
3 ADB, "Indonesia –Country Water Assessment"
4 Kementerian PPN/BAPPENAS, "Public-Private Partnership – Infrastructure Projects Plan in Indonesia 2019"
5 MEWR - https://www.mewr.gov.sg/topic/reservoirs
6 PUB - https://www.pub.gov.sg/watersupply/singaporewaterstory.
7 PUB - https://www.pub.gov.sg/watersupply/fournationaltaps/desalinatedwater.
8 PUB, "Our Water, Our Future" - https://www.pub.gov.sg/Documents/PUBOurWaterOurFuture.pdf.
9 Straits Times, "$26 million fund for water-intensive companies to adopt on-site water solutions"

# Chairman & CEO Message

## Dear Shareholders,

### START OF NEW ERA AS A LISTED COMPANY

It is our pleasure to present the inaugural annual report of Memiontec Holdings Ltd. ("Memiontec", or the "Company") for the financial year ended 31 December 2019 ("FY2019"). We would like to take this opportunity to thank all investors for your support of our initial public offering ("IPO"), which led to our successful listing on the Catalist board of the Singapore Exchange on 5 March 2020.

This is truly a new chapter for Memiontec. We have laid the foundation for strong growth with diversified incomes deriving from synergetic business segments with an operational footprint across Singapore, Indonesia and the PRC. With our newly minted status as a listed company, we are now primed for the NEXT LAP to grow rapidly, sustainably and profitably as a significant water player in the region.

### FINANCIAL RESULTS OF FY2019

In FY2019, the Group achieved sales revenue of S$29.31 million, a 19.8% year-on-year growth compared with S$24.46 million for FY2018. This was driven mainly by significant revenue growth in our Singapore business segment, from S$9.67 million in FY2018 to S$22.93 million in FY2019.

Our net profit after tax attributable to owners of the Company in FY2019 was S$0.31 million and would have been S$1.27 million if the one-off expense incurred for our IPO was excluded. Albeit lower as compared to the corresponding period in FY2018 of S$4.59 million, it was the result of vital enhancements to our business growth and operational capabilities as we transitioned into a listed company. The key attributable factors were a reduction in gross profit margin and an increase in fixed overhead costs, due to additional manpower needed to facilitate a ramp-up in sales and the strengthening of our governance structure. In addition, there were events beyond our control, such as the Indonesia general elections, that had caused delays to certain projects, resulting in the deferment of some revenue and profit recognition from FY2019 to this year.

### BUILDING ON THE FOUNDATION LAID

Memiontec has spent the last two decades building a strong business track record and today, we are proud to be a one-stop, water technology total solutions provider with a unique business model which distinguishes us from other companies in the same industry space. We have built truly diversified revenue streams from various segments that include the provision of TSEPC services, OMS services, sales and distribution of modular and customised systems and equipment, as well as the sales of water. In particular our engagement in TOOT and BOOT projects, under joint arrangement with PT Jakarta Utilitas Propertindo, a Jakarta government-owned company, has built a base for bringing in stable, recurring and long-term income over 25-year concession periods.

**TAY KIAT SENG**
Executive Chairman & CEO

Through our consistent work and advanced technologies, we have established a strong regional presence with key markets in Singapore and Indonesia and operations in the PRC. We have also gained a reputable and diverse customer base which includes PUB, Obayashi Singapore Private Limited, Petrochemical Corporation of Singapore (Private) Limited, STATS ChipPAC Pte Ltd, PT Jakpro Memiontec Air, Lippo Group and Sinarmas Group, whom we will continue to serve better and provide best-in-class solutions. Finally, underpinning this is a team of competent, well-qualified and highly experienced executive directors and key management personnel.

### MOVING ON TO THE NEXT LAP WITH CHALLENGES AHEAD

Memiontec is starting its next lap with a healthy order book of contracts in hand with sales revenue to be recognised over FY2020 and beyond. With our ongoing tenders and projects under development, we are confident of building a stronger order book. Meanwhile, we will continue to streamline our operations for improved efficiencies and seek cost reduction strategies to raise our profit margins from the execution of our projects.

# Chairman & CEO Message

From our successful listing, our IPO net proceeds of S$5.82 million will equip us with the resources to broaden our respective business segments, make strategic investments and ensure the smooth running of our business for sustainable growth. We intend to implement the established strategic plans that include expanding and extending our business in existing markets of Singapore, Indonesia, and the PRC; continuing to pursue TSEPC and OMS projects across selected industries in Singapore and Indonesia, with a focus on tenders for larger scale projects; continuing to seek out attractive investments and joint ventures in TOOT and BOOT projects; as well as broadening our overseas business into overseas markets within ASEAN and strengthening our supply chain through business collaborating, strategic alliances and merger and acquisitions.

We will continue to build up our human capital to drive the advancement of our water and wastewater treatment technologies through self-development or external collaboration with research institutes, with an aim to maximise production yield and cost-efficiency. In this regard, we are working closely with Intellectual Property Office of Singapore to reap potential benefits from our proprietary trade knowledge and expertise, good reputation as a trusted brand, strong partnerships and network, as well as other intangible assets that could be identified as uniquely our own.

The COVID-19 pandemic has undoubtedly affected many businesses and we expect this to have an impact on our businesses and operations as well. The foreseeable effects are mainly in the delay of project delivery due to supply chain and manpower disruptions and possible project deferments by customers. In Singapore, being a core contractor of PUB, we are considered as an essential services company and shall continue to operate during the Circuit Breaker, while complying with the latest regulations, to support PUB in maintaining water supply security. In addition, with our strong order book and the diversified nature of our business portfolio, we are confident about overcoming these challenges and are cautiously optimistic on the improvement in our performance for FY2020. Nevertheless, we will remain vigilant of the risks ahead while adopting cost effective measures to comply with the regulatory requirements to contain the spread of COVID-19 and safeguard the safety and wellbeing of our employees, customers, suppliers and other key stakeholders.

## INDUSTRY OUTLOOK AND PROSPECTS

Water is indeed one of the most important natural resources for the existence of life and Memiontec is proud to play a part in an industry that is widely regarded as essential and integral to lives and communities. We will continue to contribute to the water industry by leveraging our proprietary technologies to produce useable water for industry and human consumption and provide a range of water treatment solutions that will help protect the environment and conserve precious water resources.

Given the increasing environmental awareness, the scarcity of usable water in Singapore, Indonesia and PRC, and the continued industrialisation and growth of these countries, we are excited about our Group's long-term prospects and depth of market demand in these markets that Memiontec operates in.

Meanwhile in the PRC, we will further strengthen our engineering, sourcing, fabrication and supply chain management capabilities to reduce our cost of goods sold and to enter the wastewater treatment market more aggressively by collaborating with multinational corporations.

## APPRECIATION & PROPOSED DIVIDEND

We would like to express our gratitude to shareholders for the support you have given us despite recent volatile market conditions. This showed your commitment as long-term investors, with the right investing mindset, to partake in the growth journey of Memiontec. As a mark of our appreciation and in line with our commitment in the Prospectus, the Board has proposed a final cash dividend of Singapore 0.115 cents per share for FY2019 to all equity holders. We are happy that our shareholders will be receiving the proposed dividend within a few months after our listing.

## ACKNOWLEDGEMENT AND THE MEMIONTEC SPIRIT


We also owe our success to long-time business partners, customers and suppliers who have supported us on our growth journey in this ever-changing and evolving water industry, and we look forward to even closer cooperation. To all the employees of Memiontec, none of this would have been possible without your hard work and dedication, as well as your commitment to work together with the Management and Board of Directors to build a strong and sustainable future for the Group.

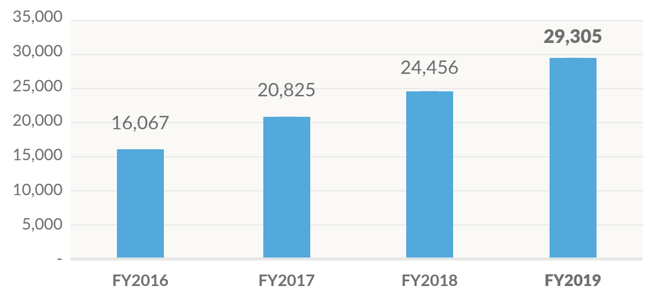
We have always held on to the belief that opportunities can be found where there is danger, as the Chinese phrase 危机 suggests. Staying true to this spirit and mindset for resourceful solutions, and with our proven tenacity for focussed actions, Memiontec is ready to stride on to the next lap with a "Clear Vision to achieve Sustainable Growth" so as to enhance shareholder value.

**TAY KIAT SENG**
**Executive Chairman & CEO**
13 April 2020

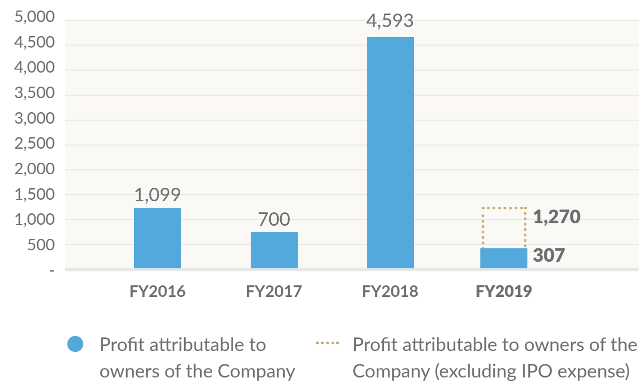
# Financial **Highlights**

| KEY FINANCIAL INFORMATION (S$'000) | FY2019 | FY2018 | FY2017 | FY2016 |
|---|---|---|---|---|
| Revenue | 29,305 | 24,456 | 20,825 | 16,067 |
| Profit before income tax | 567* | 5,464 | 925 | 1,339 |
| Profit attributable to owners of the Company | 307* | 4,593 | 700 | 1,099 |
| Equity attributable to owners of the Company | 8,992 | 9,162 | 4,777 | 5,158 |
| Earnings per share (cents) ^ | 0.17* | 2.56 | 0.39 | 0.61 |
| Gearing ratio (borrowings and lease liabilities / total equity) | 0.09 | 0.16 | 0.44 | 0.35 |

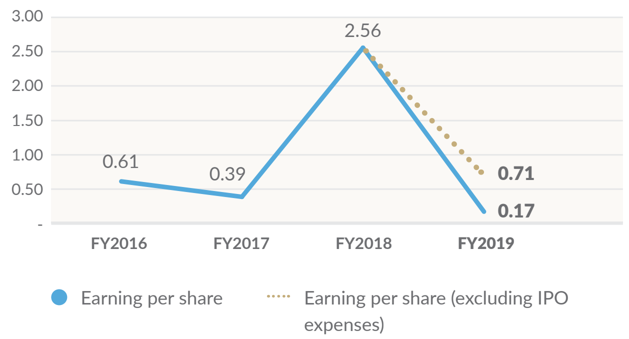
## REVENUE (S$'000)



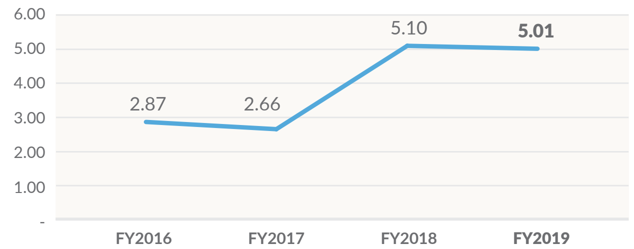

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (S$'000)




## EARNINGS PER SHARE (CENTS)




## NET ASSET VALUE PER SHARE (CENTS)




* Excluding the one-off listing expense of S$0.96 million charged into the statement of profit or loss for the year ended 31 December 2019, our profit before income tax, profit attributable to owners of the Company and earnings per share would have been S$1.53 million, S$1.27 million and 0.71 cents respectively.

^ For FY2016 to FY2019, the earnings per share had been computed based on the Company's weighted average number of ordinary shares taking into consideration of the enlarged share capital of 179,610,000 shares assuming that sub-division of 3,904,562 shares in the capital of the Company into 179,610,000 shares had been completed as at the end of 2016 - 2019. The sub-division was completed in February 2020.

# Operating & **Financial Review**

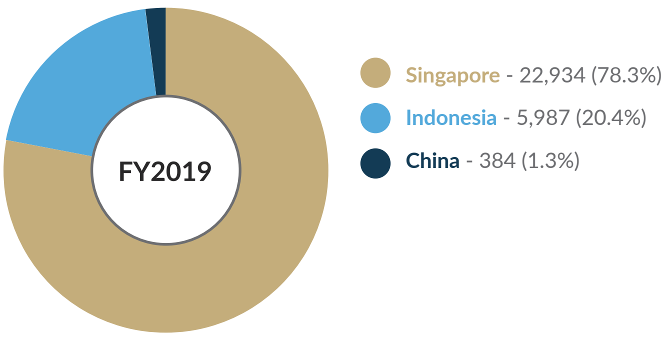
## FINANCIAL PERFORMANCE FOR FY2019

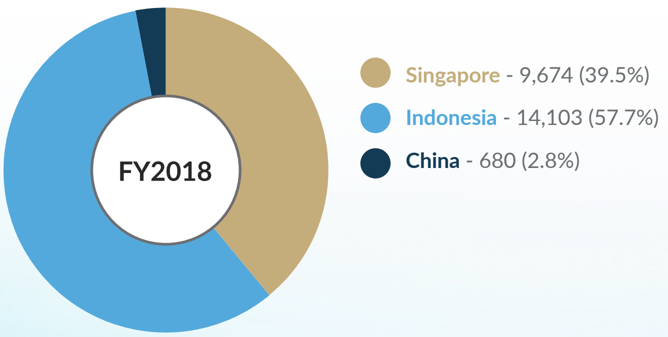
The Group recorded revenue of S$29.31 million for the financial year ended 31 December 2019 ("**FY2019**"), a year-on-year ("**y-o-y**") increase of S$4.85 million or 19.8%, from S$24.46 million for the financial year ended 31 December 2018 ("**FY2018**").

The growth in FY2019 revenue was mainly due to higher revenue contribution from the OMS division of S$5.41 million, which offset the lower y-o-y contribution from the TSEPC and Trading divisions of S$0.26 million and S$0.45 million respectively.

Geographically, revenue from Memiontec's Singapore operations grew y-o-y by S$13.26 million or 137.1%, while revenue in Indonesia and China decreased by S$8.12 million or 57.5% and S$0.29 million or 43.5%, respectively.

### REVENUE BY GEOGRAPHY (S$'000)




In terms of revenue breakdown by business segments, TSEPC, OMS, Trading and Sales of water accounted for 66.7%, 28.5%, 4.2% and 0.6% of FY2019's total revenue, compared to 81.0%, 12.1%, 6.8% and 0.1% respectively in FY2018.

The Group's average gross profit margin decreased by 13.9 percentage points, from 29.4% in FY2018 to 15.5% in FY2019, largely due to lower gross margins from the TSEPC and OMS segments. Despite securing new higher-value service and maintenance works, the OMS segment recorded a lower gross margin of 17.9% in FY2019, compared to 26.7% in FY2018, as these contracts had lower margins. The TSEPC segment booked lower gross profit margin of 13.1% in FY2019, as compared to 28.3% in FY2018, as substantial works were completed for the Group's higher margin TSEPC projects in Indonesia in FY2018.

Group's general and administrative expenses grew by S$0.83 million, from S$2.64 million in FY2018 to S$3.47 million in FY2019, mainly due to an increase of corporate compliance costs of S$0.28 million, as well as a rise in staff and related costs of S$0.59 million as a result of increased managerial headcount to support the Group's enlarged operations in FY2019.

Share of contribution from a joint venture decreased by S$0.56 million, from a profit of S$0.54 million in FY2018 to a loss of S$0.02 million in FY2019. This was mainly due to substantial completion of the construction of the water treatment plant in FY2018. At the same time, there was an unforeseen delay in the sales of water to Perusahaan Daerah Air Minum ("**PDAM**"), an Indonesian regional water utility company, till mid December 2019, although the construction of water treatment plant was completed in August 2019. The slight loss in FY2019 was mainly due to operating expenses incurred during that period.

Finance costs decreased by S$0.03 million from S$0.16 million in FY2018 to S$0.13 million in FY2019. The decrease is consistent with the decrease in Group's borrowings, mainly due to partial repayments of borrowings and disposal of a subsidiary during the year.

# Operating & **Financial Review**

Other operating expenses increased by S$0.82 million, from S$0.14 million to S$0.96 million in FY2019. This was mainly due to one-off IPO expense of S$0.96 million and the absence of foreign exchange loss during the year as compared to FY2018 when there was a foreign exchange loss of S$0.13 million.

As a result of the above, the Group recorded profit before income tax of S$0.57 million, profit after tax of S$0.31 million and profit attributable to the owners of the Company of S$0.31 million in FY2019. Excluding the one-off IPO expense of S$0.96 million, profit before income tax, profit after tax and profit attributable to owners of the Company would have been S$1.53 million, S$1.27 million and S$1.27 million respectively.

## FINANCIAL POSITION

| | AS AT 31 DECEMBER | |
|---|---|---|
| FINANCIAL POSITION (S$'000) | 2019 | 2018 |
| Total assets | **22,066** | 19,498 |
| Total liabilities | **13,031** | 10,059 |
| Net current assets | **5,721** | 5,674 |

The Group's total assets increased by S$2.57 million from S$19.50 million as at 31 December 2018 to S$22.07 million as at 31 December 2019, while total liabilities increased by S$2.97 million from S$10.06 million as at 31 December 2018 to S$13.03 million as at 31 December 2019. The increase in total liabilities was due mainly to an increase in payables for IPO-related expenses, as well as an increase in trade payables mainly due to higher-value purchases made towards the end of FY2019.

Meanwhile, net current assets remained consistent at S$5.72 million and S$5.67 million as at 31 December 2019 and 31 December 2018 respectively.

## CASH FLOWS

| | FOR THE YEAR FROM 1 JAN TO 31 DEC | |
|---|---|---|
| CASH FLOWS (S$'000) | 2019 | 2018 |
| Net cash from operating activities | **839** | 3,957 |
| Net cash used in investing activities | **631** | (155) |
| Net cash used in financing activities | **(2,199)** | (1,189) |
| Cash and cash equivalents at end of each year | **4,901** | 5,594 |

In FY2019, the Group generated positive net cash of S$0.84 million from operations, after adjusting for income tax and interest income of S$0.33 million. Meanwhile, net cash from investing activities was S$0.63 million mainly due to S$0.69 million proceeds from the disposal of a subsidiary, partially offset by capital expenditure for purchase of property, plant and equipment and addition of rights-of-use assets which aggregated to S$0.07 million.

The net cash of S$2.20 million used in financing activities mainly comprised the payment of dividends of S$3.24 million, repayment of borrowings and obligations under finance leases of S$0.79 million and repayment to directors amounting S$0.42 million, partially offset by S$1.05 million advances received from pre-IPO investors on the subscription of shares, as well as S$1.41 million capital contribution from a controlling shareholder in a subsidiary.

As a result, cash and cash equivalents decreased from S$5.59 million in FY2018 to S$4.90 million in FY2019.

# Board of **Directors**

## TAY KIAT SENG

**Executive Chairman and CEO**
**First appointed: 6 March 2013**

Mr Tay co-founded Memiontec in 1992 with Managing Director Ms Soelistyo Dewi Soegiharto. He has over 31 years of experience in the water treatment industry. Prior to co-founding Memiontec, Mr Tay spent two years as a senior manager at water treatment company, Watermac Engineering Pte Ltd. He started his career with Memtec Ltd, an Australian water treatment company, where he worked as a design engineer, focusing on the MEMCOR membrane product line for two years.

As Executive Chairman and CEO of the Group, Mr Tay is responsible for overseeing its business performance and direction as well as formulating, developing and overseeing the execution of business strategies for growth and expansion. He also drives the Group's business growth and is directly responsible for growing the Group's foreign subsidiaries in Indonesia and the PRC.

Mr Tay graduated from the University of Strathclyde, United Kingdom, with a Bachelor of Engineering in Mechanical Engineering in 1988.

## SOELISTYO DEWI SOEGIHARTO

**Managing Director**
**First appointed: 6 March 2013**
**Last re-elected: 29 August 2019**

Ms Dewi co-founded Memiontec in 1992 with Executive Chairman and CEO Mr Tay Kiat Seng. She has more than 28 years of experience in the water treatment business. Prior to co-founding Memiontec, she worked as a sales and project engineer for a year at Scottscenter Pte. Ltd., a water treatment solutions company in Singapore.

As Managing Director, Ms Dewi plays a supporting role in the overall management and business operations of the Group as well as in the implementation of its strategic plans in relation to achieving sales and profits targets and improving the prospects of its Singapore and Indonesia subsidiaries. In addition, she is responsible for the business direction, management and oversight of MPL's operations. She was instrumental in developing the market and foundation of the Group's Indonesian subsidiary.

Ms Dewi graduated from the University of New South Wales, Australia, with a Bachelor of Engineering in Chemical Engineering in 1991.

# Board of **Directors**

## LOW KIAN BENG

**Executive Director**
**First appointed: 30 December 2019**

Mr Low is our Executive Director and he joined the Group in June 2017. He was appointed as a Director of the Company on 30 December 2019.

As Executive Director, Mr Low is involved in the decision making on the Group's operational and financial matters, together with rest of the Board. He is primarily responsible for strategic and business development to grow the Group regionally; strengthening and improving the operational efficiency of the Group for cost competitiveness; and laying the foundation for the Group to achieve sustainable growth with appropriate governance.

From 2010/11 to 2017, Mr Low was the Group Deputy CEO and Executive Director of ecoWise Holdings Limited, a Singapore SGX-listed environmental company. Prior to that from 2000 to 2006, he was the Managing Director and CEO of SP Corporation, a SGX-listed industrial services company, and from 2006 to 2010, he was the CEO of Envipure Pte Ltd.

Mr Low has more than 28 years of senior management experience, covering various functions, in the renewable & water, rubber & tyre, petrochemicals, energy and engineering services industries, across the Asia Region.

Mr Low obtained his BSc Degree (with honours) in Engineering from Imperial College of Science and Technology, London (UK) in 1980 and a Master of Business Administration Degree (with distinction) from Oklahoma City University, Texas (USA) in 1989. Since May 2012, Mr Low has served as a non-executive council member of the Sustainable Energy Association of Singapore.

## JACKSON CHEVALIER YAP KIT SIONG

**Lead Independent Director**
**First appointed: 30 December 2019**

Mr Yap is our Lead Independent Director and was appointed on 30 December 2019. He currently sits on the board of Bursa-listed Apex Healthcare Berhad and Leafydom Limited.

Mr Yap was with United Engineers Limited from 1997 until his retirement in January 2014. He was its Group Managing Director and Chief Executive Officer from 2001 to 2014, and following his retirement, he continued to serve as its Senior Advisor and a Non-Executive, Non-Independent Director until April 2014. Mr Yap first joined United Engineers Limited in 1997 as its Chief Operating Officer. From 1992 to 1997, Mr Yap was with Exxon Chemical Asia Pte Ltd. where he last held the position of Manager (Planning) of Major Ventures Asia Pacific. Prior to that, he worked at several multinational companies in the oil and petrochemical industry after university.

Mr Yap graduated with a Bachelor of Engineering (Chemical and Materials) from Auckland University in 1974 and is a fellow of the Singapore Institute of Directors.

# Board of **Directors**

### CHUA KERN
**Independent Director**
**First appointed: 30 December 2019**

Mr Chua is our Independent Director and was appointed on 30 December 2019. He is currently a Director of Chancery Law Corporation, which he co-founded in 2005. Mr Chua currently sits on the board of SGX-listed TLV Holdings Limited.

Mr Chua practised law at Colin Ng & Partners from 2003 to 2005 as a Senior Associate and earlier from 1998 to 2002. From 2002 to 2003, he was at Khattar Wong & Partners. Mr Chua began his law career in 1997 as an Associate at Peter Chua & Partners following his admission to the Supreme Court of Singapore as an Advocate and Solicitor.

He graduated with a Bachelor of Laws from the University of Bristol, United Kingdom in 1995 and obtained a Diploma in Singapore Law from the National University of Singapore in 1996. He is a member of the Law Society of Singapore and the Singapore Academy of Law.

### HOR SIEW FU
**Independent Director**
**First appointed: 30 December 2019**

Mr Hor is our Independent Director and was appointed on 30 December 2019. Mr Hor currently sits on the boards of Plastoform Holdings Limited, Cosmosteel Holdings Limited and Edition Ltd, which are listed on the SGX.

Mr Hor was formerly Chief Financial Officer of Albedo Limited from 2014 until his retirement in 2016. Prior to that, he was the Chief Financial Officer of CosmoSteel Holdings Limited from 2007 to 2013. Between 1996 and 2007, he expanded his experience in the finance field at various organisations. From 1984 to 1996, he was with Deutz MWM Asia Pacific Pte Ltd as its Company Secretary and Financial Controller. Mr Hor was with the Keppel group of companies from 1976 to 1984.

He obtained a Bachelor of Accountancy from the University of Singapore in 1976 and a Master of Business Administration from Macquarie University in 1994. Mr Hor is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants, a Fellow of the Association of Chartered Certified Accountants of United Kingdom and a Professional (Life) Member of the Singapore Human Resources Institute.

### LEE DAH KHANG
**Independent Director**
**First appointed: 30 December 2019**

Mr Lee Dah Khang is our Independent Director and was appointed on 30 December 2019. Mr Lee is currently the sole proprietor of DK & Co and a Director of Yang Lee Consulting Pte Ltd. He has held these roles since 2004 and 2005 respectively. Mr Lee currently sits on the board of SGX-listed LY Corporation Limited.

Prior to this, Mr Lee was with C C Yang & Associates from 2004 to 2005. He was a Practice Review Manager of the Public Accountants Board in 2003 and a Practice Review Manager of the Institute of Certified Public Accountants of Singapore from 2001 to 2002. From 1999 to 2001, he joined Asia Pulp and Paper and was an Internal Audit Manager when he left. He started his career with Deloitte & Touche LLP in 1995 and left in 1998 as an Audit Senior.

Mr Lee graduated with a Bachelor of Accountancy from the Nanyang Technological University in 1995. He is currently a Practising Management Consultant of the Singapore Business Advisors & Consultants Council, a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants and a Certified Internal Auditor of the Institute of Internal Auditors.

# Management Team

### WEE YEAK ING
**Group Financial Controller**

Ms Wee joined the Group in 2018 as Group Financial Controller. She is responsible for the overall financial management of the Group including accounting, treasury, risk management and governance framework.

Before joining Memiontec, Ms Wee was the head of Finance at Rigel Technology (S) Pte Ltd from 2017 to 2018. Prior to Rigel, she worked at accounting and auditing firm, Paul Wan & Co, member firm of Morison KSI International, upon her graduation in 1991 until 2017, during which she progressed from an audit assistant in 1991 to audit partner in 2002.

Ms Wee is currently a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants.

### LIM WEI KUAN
**Director of Memiontec Pte Ltd**

Mr Lim has been with the Group since his university graduation in 2006 when he joined as a Project & Application Engineer. He was promoted to General Manager of MPL in 2014 and in December 2019, Mr Lim was appointed to his current role as Director of MPL.

As Director of MPL, Mr Lim is responsible for design and engineering, securing sales orders, overseeing project implementation and maintenance and service work in Singapore. He is also accountable for the budget, cost control and overall performance of our operations in Singapore.

Mr Lim obtained a Bachelor of Engineering in Chemical Engineering from the University of Malaya in 2006.

### IRAWATI TAN
**Director, Indonesia**

Ms Irawati first joined the Group in 2009. She assists our Executive Chairman and CEO in managing the overall business and operations in Indonesia and is responsible for sales and marketing, project execution, procurement, budget and cost control of the Group's Indonesia business units.

Prior to Memiontec, she started her career at the Astel Group after graduation, where she held various roles, including budget and finance controller. Before Ms Irawati left the Astel Group to join the Group in 2009, she last held the position of procurement manager.

Ms Irawati graduated from Bina Nusantara University with a Bachelor of Accounting in 2004.

# Corporate **Information**

## BOARD OF DIRECTORS
Tay Kiat Seng *(Executive Chairman and Chief Executive Officer)*
Soelistyo Dewi Soegiharto *(Managing Director)*
Low Kian Beng *(Executive Director)*
Jackson Chevalier Yap Kit Siong *(Lead Independent Director)*
Chua Kern *(Independent Director)*
Hor Siew Fu *(Independent Director)*
Lee Dah Khang *(Independent Director)*

## AUDIT COMMITTEE
Hor Siew Fu *(Chairman)*
Chua Kern
Lee Dah Khang
Jackson Chevalier Yap Kit Siong

## NOMINATING COMMITTEE
Chua Kern *(Chairman)*
Hor Siew Fu
Tay Kiat Seng
Jackson Chevalier Yap Kit Siong

## REMUNERATION COMMITTEE
Jackson Chevalier Yap Kit Siong *(Chairman)*
Chua Kern
Hor Siew Fu
Lee Dah Khang

## COMPANY SECRETARY
Ang Siew Koon, ACS

## CO. REG. NUMBER
201305845W

## REGISTERED OFFICE
20 Woodlands Link
#04-30/31 Singapore 738733
T: 65 6756 6989
F: 65 6756 8274
E: memiontec@memiontec.com
Corporate website: www.memiontec.com

## SPONSOR
**ZICO Capital Pte. Ltd.**
8 Robinson Road
#09-00 ASO Building
Singapore 048544

## AUDITORS
**Deloitte & Touche LLP**
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809

Partner-in-charge: Ronny Chandra
(Appointed since financial year ended 31 December 2018)

## SHARE REGISTRAR
**Boardroom Corporate & Advisory Services Pte. Ltd.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## PRINCIPAL BANKER
**United Overseas Bank Limited**
80 Raffles Place
UOB Plaza
Singapore 048624

## INVESTOR RELATIONS
**Memiontec Holdings Ltd.**
E: IRMR@memiontec.com

**August Consulting**
101 Thomson Road
#30-02 United Square
Singapore 307591
T: 65 6733 8873

# Corporate **Governance Report**

The board of directors (the "**Board**" or the "**Directors**") and the management ("**Management**") of Memiontec Holdings Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") are committed to maintaining a high standard of corporate governance. The Board and Management recognize the importance of practising good corporate governance as a fundamental part of our responsibilities to protect and enhance shareholders' value, the financial performance and the long term sustainability of the Group and its businesses.

*Compliance with the Code of Corporate Governance 2018*

This report describes the Group's governance practices since the Company was listed on 5 March 2020 with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance issued on 6 August 2018 which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Board is pleased to report that the Company has complied in all material aspects with the principles and guidelines set out in the Code. Where there are deviations from the provisions of the Code, appropriate explanations have been provided and the Company will continue to assess its needs and implement appropriate measures accordingly.

## 1. BOARD MATTERS

### The Board's Conduct of Affairs

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

***Provision 1.1 - Board's Role***

The Board provides leadership to the Group by setting the corporate policies and strategic directions. The Board recognises that Directors are fiduciaries who should act objectively in the best interests of the Group and hold Management accountable for performance. The Board oversees the Group's affairs and is accountable to shareholders of the Company ("**Shareholders**") for the management and performance of the Group's businesses. The Board has put in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Group. Directors facing conflicts of interest recuse themselves from discussions and making decisions involving the issues of conflict.

The principal responsibilities of the Board include the following:

(a) to provide entrepreneurial leadership, set strategic directions and establish long term objectives of the Group, which shall include focus on value creation, innovation and sustainability;

(b) to review and approve corporate plans, annual budgets, investment and divestment proposals, major funding initiatives, merger and acquisition activities and financial plans of the Group;

(c) to ensure that the necessary resources, such as financial and human, are in place effectively for the Group to meet its objectives;

(d) to review and evaluate the adequacy and integrity of Group's framework of prudent and effective internal controls, risk management and financial reporting system to enable key risks to be assessed and managed, including safeguarding of Shareholders' interests and the Group's assets;

(e) to monitor and review Management's performance towards achieving the set organizational objectives and goals;

# Corporate **Governance Report**

(f) to instil an ethical corporate culture and ensure that the Company's values, standards, policies and practices are consistent with the culture;

(g) to ensure accurate and timely release of information to Shareholders, in compliance with the requirements of the Catalist Rules;

(h) to ensure the Group's compliance with laws, regulations, policies and guidelines; and

(i) to review and approve interested persons transactions and material transactions, and announcements thereof, in compliance with the requirements of the Catalist Rules.

***Provision 1.2 - Directors' Duties and Responsibilities***

All Directors, who are expected to exercise due diligence and independent judgment, are obliged to act in good faith and in the best interests of the Company. The Board has an obligation to Shareholders and other stakeholders of the Company to safeguard their interests and the Company's assets by establishing a framework of prudent and effective controls which enables risks to be assessed and managed, setting the Company's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and being met, as well as identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation.

*Orientation, Continuous Training and Development of Directors*

The Company does not have a formal training programme for Directors but all new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic directions and industry-specific knowledge. The Directors will also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the Group's business operations. The Company will also arrange for first-time Directors to attend relevant training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST and, if necessary, in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations.

The Directors and relevant key management personnel of the Group, save for Mr. Chua Kern, Mr. Hor Siew Fu and Mr. Lee Dah Khang who are currently independent directors of companies which are listed on the SGX-ST, have attended a briefing conducted by Bird & Bird ATMD LLP on the roles and responsibilities of a director of a public-listed company in Singapore during the preparation of the Company's listing on the Catalist board of the SGX-ST on 5 March 2020 (the "**Listing**").

Each of Mr. Low Kian Beng, Mr. Chua Kern, Mr. Hor Siew Fu and Mr. Lee Dah Khang has served as a director of one (1) or more public-listed companies in Singapore previously. Mr. Tay Kiat Seng and Ms. Soelistyo Dewi Soegiharto do not have experience as directors of public-listed companies in Singapore, and will undertake training as prescribed by the SGX-ST pursuant to Practice Note 4D of the Catalist Rules by the end of the first year of the Listing. As it has been more than five (5) years since Mr. Jackson Chevalier Yap Kit Siong was a director of a public listed company in Singapore, he will also undertake training as prescribed by the SGX-ST pursuant to Practice Note 4D of the Catalist Rules.

The Directors are continually and regularly updated on the Group's businesses and governances practices, including changes in laws and regulations, financial reporting standards and code of corporate governance so as to enable Directors to effectively discharge their duties. New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority which are relevant to the Group and/or Directors are circulated to the Board. All Directors are also encouraged to be members of SID and for them to receive journal updates and training from SID.

# Corporate **Governance Report**

*Provision 1.3 - Internal Guidelines on Matters Requiring Board Approval*

Matters that require the approval of the Board include, but are not limited to, the following:

(a) matters that involve a conflict of interest of a controlling shareholder or a Director or persons connected to such Shareholder or Director;

(b) approval of announcements to be released via SGXNET, including half-yearly and full year financial results announcements;

(c) approval of operating budgets, annual and interim reports, financial statements, Directors' statement and annual report;

(d) share issuance, interim dividends and other returns to Shareholders;

(e) authorisation of banking facilities and corporate guarantees;

(f) approval of change in corporate business strategy and direction;

(g) appointment/cessation, and remuneration packages of the Directors and key management executives;

(h) any matters relating to the Company's Annual General Meeting ("**AGM**"), Board and Board Committees;

(i) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements; and

(j) approval of any changes to the terms and conditions of the Combination Agreements (details of which are set out in the section entitled "General Information on our Group - Combination Agreements" of the Company's offer document dated 21 February 2020 in connection with the Listing ("**Offer Document**")) and its associated undertakings to safeguard the Group's interests while ensuring the compliance of Combination Agreements with the prevailing applicable laws of Indonesia.

*Provision 1.4 - Delegation of Authority to Board Committees*

The Board has, without abdicating its responsibilities, delegated certain matters to three (3) Board committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"), which operate under their respective terms of reference. The Board Committees play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the respective Board Committees, details of which are set out in the respective sections of this report, are reviewed on a regular basis to ensure their continued relevance. The respective Chairmen of the Board Committees report the outcome of the Board Committees meetings to the Board. The composition and description of each Board Committee are set out in this report.

*Provision 1.5 - Meetings of Board and Board Committees and Attendance Records of the Board Members*

The schedule of all the Board and Board Committee meetings as well as the AGM of the Company for the next calendar year is planned well in advance. The Board will meet at least twice yearly and whenever warranted by particular circumstances. Ad-hoc, non-scheduled Board meetings may be convened to deliberate on urgent substantial matters. In addition to these meetings, corporate events and actions requiring the Board's approval may be discussed over the telephone, followed by Directors' resolutions in writing being passed. Regulation 102(4) of the Company's Constitution (the "**Constitution**") allows a Board meeting to be conducted by way of tele-conference and video conference.

As the Company was listed on 5 March 2020, there were no Board and Board Committee meetings held in 2019. The AC held its first meeting on 11 March 2020 to review and discuss, among others, the Audit Plan for FY2019 and internal control matters. The first Board meeting was held on 3 April 2020 to review and discuss, amongst others, the financial and operational performance of the Group in FY2019 and also to receive and approve the outcomes of the first AC meeting held on 11 March 2020; and the second AC meeting, first RC meeting and first NC meeting, all held on the same day. Going forward, the Board will meet regularly with at least two (2) Board meetings for each financial year, and whenever warranted by particular circumstances deemed appropriate by the Board.

# Corporate **Governance Report**

The table below sets out the number of Board and Board Committee meetings which were convened as of the date of this report:

| | **Board** | **AC** | **NC** | **RC** |
|---|---|---|---|---|
| Total number of meetings held | 1 | 2 | 1 | 1 |
| **Name of Director** | Number of meetings attended | | | |
| *Executive Directors:* | | | | |
| Tay Kiat Seng | 1 | 2* | 1 | 1* |
| Soelistyo Dewi Soegiharto | 1 | 2* | 1* | 1* |
| Low Kian Beng | 1 | 2* | 1* | 1* |
| *Independent Directors:* | | | | |
| Jackson Chevalier Yap Kit Siong | 1 | 2 | 1 | 1 |
| Chua Kern | 1 | 2 | 1 | 1 |
| Hor Siew Fu | 1 | 2 | 1 | 1 |
| Lee Dah Khang | 1 | 2 | 1* | 1 |

* Attended by invitation.

The key information of the Directors, including their position, academic and professional qualifications, shareholding interests in the Group, Board Committees served on, first appointment dates, last re-appointment dates, directorships or chairmanships both present and those held over the past three (3) years in other listed companies, and their principal commitments, are set out in the sections entitled "Board of Directors" and "Directors' Statement" of this Annual Report. None of the Directors are related to one another, with the exception of Mr. Tay Kiat Seng and Ms. Soelistyo Dewi Soegiharto, who are spouses.

***Provision 1.6 - Board's Access to information***

To enable the Board to make informed decisions and to fulfil its responsibilities, the Management provides complete, accurate and adequate information in a timely manner. A system of communication between the Management and the Board and Board Committees has been established and shall be improved over time. The Board has separate and independent access to the Company's Management in respect of obtaining information, as reliance purely on what is volunteered by the Management may not be adequate in certain circumstances and further enquiries may be required for the Board to fulfil its duties properly.

All scheduled Board and Board committees' meetings are planned ahead. Management provides Directors with information whenever necessary and board papers are sent to Directors prior to each Board and Board Committee meeting. Such board papers usually include budgets, forecasts and periodic management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

# Corporate **Governance Report**

*Provision 1.7- Board's Access to Management, Company Secretary and External Advisers*

At all times, the Board and Board Committees and every Director have separate and independent access to the Management and the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary and/or his representatives have attended the Board and Board Committees meetings convened in March and April 2020. The appointment and removal of the Company Secretary is decided by the Board as a whole.

The Company Secretary function is outsourced to Tricor Evatthouse Corporate Services.

Should the Directors, whether as a group or individually, need independent professional advice, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such engagement will be borne by the Company.

**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**

*Provision 2.1 - Strong and Independent Element of the Board*

As at the date of this report, the Board comprises seven (7) members, of whom four (4) are Independent Directors. The present Board members and Board Committees members are as follows:

| Name of Director | Designation | Board Committee Membership | | |
|---|---|---|---|---|
| | | AC | NC | RC |
| Tay Kiat Seng | Executive Chairman and Chief Executive Officer | – | Member | – |
| Soelistyo Dewi Soegiharto | Managing Director | – | – | – |
| Low Kian Beng | Executive Director | – | – | – |
| Jackson Chevalier Yap Kit Siong | Lead Independent Director | Member | Member | Chairman |
| Chua Kern | Independent Director | Member | Chairman | Member |
| Hor Siew Fu | Independent Director | Chairman | Member | Member |
| Lee Dah Khang | Independent Director | Member | – | Member |

The independence of each Independent Director is reviewed by the NC, based on the guidelines as provided in the Code as well as Rule 406(3)(d) of the Catalist Rules. The independence of each Director is assessed and will be reviewed at least annually by the NC. In its deliberation as to the independence of a Director, the NC takes into account of examples of relationships as set out in the Code. The criterion for independence is based on the definition given in the Code and in the Catalist Rules. The Code has defined an "independent" director as one who is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. Under the Catalist Rules, an independent director is one who is not or has not been employed by the Company or any of its related corporations for the current or any of the past three financial years; or one who does not have an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC.

There is no policy to prohibit or require the Non-Executive and Independent Directors to hold shares in the Company. Mr. Lee Dah Khang holds 22,000 shares in the Company amounting to 0.01% of the total issued shares in the Company. The RC and the Board are of the view that the holding of shares by Non-Executive and Independent Directors of less than 5% of the total issued shares in the Company encourages the alignment of their interests with the interests of Shareholders without compromising their independence.

# Corporate **Governance Report**

Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the provisions as set out in the Code. The Independent Directors must also confirm whether they consider themselves independent despite having any relationship identified in the Code. As of the date of this report, each of the Independent Directors has confirmed his independence based on the provisions as set out in the Code and the NC has reviewed, determined and confirmed the independence of each Independent Director.

The Board noted that under the amendments to Rule 406(3)(d) of the Catalist Rules which will take effect from 1 January 2022, an independent director will not be considered independent if he has served on the Board for more than nine years and his continued appointment as an independent director has not been sought and approved under a two-tier shareholders voting. There are no Independent Directors who has served on the Board beyond nine years from the date of their respective first appointments.

***Provisions 2.2 and 2.3 - Composition of Independent Directors and Non-Executive Directors on the Board***

Under Provision 2.2 of the Code, the Independent Directors should make up majority of the Board where the Chairman is part of the Management team and is not independent. Under Provision 2.3 of the Code, the Non-Executive Directors should make up a majority of the Board. All the Non-Executive Directors of the Company are Independent Directors. The composition of the Board complies with the requirements of the Code as more than half of the Board (being, four (4) Independent Directors out of a seven (7) member Board) comprises Independent Directors. This proportion of Non-Executive Directors avoids undue influence of Management over the Board and ensures that appropriate checks and balances are in place.

***Provision 2.4 - Composition and Size of the Board***

The size and composition of the Board and Board Committees is reviewed annually by the NC to ensure that their size and composition is appropriate so as to facilitate effective decision making. The review aims to ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies.

It is the Board's policy that the members of the Board should possess the relevant core competencies in areas such as accounting and finance, legal, strategic planning, business and management experience. In particular, the Executive Directors possess good industry knowledge while the Non-Executive Directors who are professionals and experts in their fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations.

The Board members collectively possess the necessary core competencies such as accounting, finance, investment, business and management experience, corporate governance, industry knowledge and strategic planning experience for the effective functioning of the Board and an informed decision-making process. Accordingly, the Board, with the concurrence of the NC, is of the opinion that its current Board size of seven (7) members, and the size of each Board Committee, as well as their respective compositions, are appropriate, taking into account the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. Also, that the Directors provide an appropriate balance and mix of skills, knowledge and experience and other aspects of diversity so as to avoid groupthink and foster constructive debate. The Board also considers gender as an important aspect of diversity as it believes that diversity in the Board's composition contributes to the quality of its decision making. The incumbent Board currently comprises six (6) male Directors and one (1) female Director.

***Provision 2.5 - Role of Non-Executive Directors***

The Non-Executive Directors (including Independent Directors) have the necessary experience and expertise to assist the Board in decision-making and provide greater balance to the Board as they do not participate in the day-to-day running of the Group. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to the Management.

The responsibilities of the Non-Executive Directors include:

(a) assisting the Board to develop proposals on strategy, constructively challenging it when necessary; and

(b) reviewing and monitoring the performance of the Management in meeting the goals and objectives committed.

Besides the above, the Non-Executive Directors' responsibilities include other duties as required in their capacity as members of the AC, NC and RC.

The Independent Directors would meet regularly, at least at each Board meeting, without the presence of Management, including the Executive Directors.

# Corporate **Governance Report**

**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**

***Provisions 3.1 and 3.2 - Chairman and Chief Executive Officer ("CEO")***

The Executive Chairman, Mr. Tay Kiat Seng, is also the Group's CEO. While the roles of Chairman and CEO are held by Mr. Tay Kiat Seng, the responsibilities of Chairman and CEO are separate and distinct. In accordance with the requirements of the Code where Chairman is not independent, the Independent Directors form the majority of the Board, and the Company has a Lead Independent Director. The Board is of the view that the discharge of responsibilities in the two roles by Mr. Tay will not be compromised as there is strong independence within the Board to ensure an appropriate balance of power, increased accountability and capacity of the Board for independent decision-making. The NC also assesses the performance and effectiveness of Mr. Tay Kiat Seng on his performance as Chairman separately from that of CEO.

There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and the Management responsible for managing the Company's business.

As CEO, Mr. Tay Kiat Seng manages and develops the businesses of the Group and implements the Board's decision. He undertakes the executive responsibilities of the Group's performance.

As Chairman, Mr. Tay Kiat Seng is responsible for the effective functioning of the Board and exercises control over the quality, quantity and timeliness of information flow between the Board and the Management. In addition, the Chairman encourages constructive relations among the Directors and the Board's interaction with the Management, as well as facilitates effective contribution of Non-Executive Directors. The Chairman's responsibilities in respect of the Board proceedings include:

(a) leading the Board to ensure its effectiveness;

(b) managing the Board's matters, including supervising the work of the Board committees;

(c) setting the agenda (with the assistance of the Management and Company Secretary) and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(d) ensuring that all agenda items are adequately and openly debated for effective decision making during Board meetings;

(e) ensuring that all Directors receive complete, adequate and timely information;

(f) ensuring effective communication with Shareholders; and

(g) assisting in ensuring that the Group complies with the Code and maintains high standards of corporate governance.

***Provision 3.3 - Lead Independent Director***

As recommended by the Code, the Board has appointed Mr. Jackson Chevalier Yap Kit Siong, as the Lead Independent Director. As Lead Independent Director, he is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to Shareholders where they have serious concerns, that could have a material impact on the Group, for which contact through the normal channels of the Executive Chairman and CEO has failed to resolve or is inappropriate. The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the Executive Directors where necessary, and the Lead Independent Director will provide feedback to the Chairman after such meetings. The Board believes that there are adequate safeguards in place against having a concentration of power and authority in a single individual.

# Corporate **Governance Report**

**Board Membership**

**Principle 4:**
**The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board**

*Provisions 4.1 and 4.2 - Nominating Committee*

The NC comprises four (4) Directors, three (3) of whom, including the NC Chairman, are independent. The Lead Independent Director is a member of the NC.

| | | |
|---|---|---|
| Chua Kern | Chairman | Independent Director |
| Tay Kiat Seng | Member | Executive Chairman and CEO |
| Jackson Chevalier Yap Kit Siong | Member | Lead Independent Director |
| Hor Siew Fu | Member | Independent Director |

The terms of reference of the NC sets out its duties and responsibilities. Amongst others, the NC is responsible for:

(a) reviewing and recommending the appointment of new Directors and Executive Officers and re-nomination of Directors having regard to each Director's contribution, performance and ability to commit sufficient time, resources and attention to the affairs of the Group, and each Director's respective commitments outside the Group including his principal occupation and board representations on other companies, if any. The NC will conduct such reviews at least once a year, or more frequently as it deems fit;

(b) determining annually, and as and when circumstances require, whether or not a Director is independent;

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

(d) developing a process for evaluating the performance and effectiveness of the Board as a whole and the Board Committees, and for assessing the contribution of each Director and the Chairman to the effectiveness of the Board;

(e) reviewing the Directors' mix of skills, experience, core competencies and knowledge of the Group that the Board requires to function competently and efficiently;

(f) reviewing succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(g) reviewing the training and professional development programs for the Board;

(h) where a Director has multiple board representations, deciding whether the Director is able and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments; and

(i) reviewing and approving the employment of persons related to the Directors, CEO or Substantial Shareholders and the proposed terms of their employment.

# Corporate **Governance Report**

*Succession Planning*

The NC will review board succession plans for Directors and will seek to refresh the Board membership in an orderly and timely manner where it deems applicable. The NC will also ensure that the Company has succession planning for its CEO, Chairman, Executive Directors and key management personnel, including appointing, training and mentoring successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the CEO or any of the key management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team.

***Provision 4.3 - Process for the Selection, Appointment and Re-appointment of Directors***

Periodic reviews of the Board composition, including the selection of candidates for new appointments to the Board, will be made by the NC in consultation with the Chairman of the Board as part of the Board's renewal process. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The selection of candidates is evaluated taking into account various factors including the current and mid-term needs and objectives of the Group, as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations. Short-listed candidates would be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, in addition to completing certain prescribed forms to enable the NC to assess the candidate's independence status and compliance with the Company's established internal guidelines.

All Directors shall submit themselves for re-nomination and re-appointment at least once every three (3) years. At least one-third of the Directors shall retire by rotation at every AGM and a retiring Director shall be eligible for re-election in accordance with the Constitution of the Company. In addition, the Company's Constitution also provides that new Directors appointed during the year, either to fill a vacancy or as an addition to the Board, are required to submit themselves for re-election at the next AGM of the Company. Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC takes into consideration the re-nomination of Directors for the ensuing term of office factors such as attendance, preparedness and participation at meetings of the Board and Board Committees.

In compliance with the Constitution of the Company, the NC has recommended and the Board has agreed that at the forthcoming AGM, Mr. Tay Kiat Seng, Mr. Low Kian Beng, Mr. Jackson Chevalier Yap Kit Siong, Mr. Chua Kern, Mr. Hor Siew Fu and Mr. Lee Dah Khang (collectively, the "**Retiring Directors**"), will be retiring and are nominated for re-election.

Information on each Retiring Director is set out in the section entitled "Additional Information on Directors Seeking Re-election" of this report.

***Provision 4.4 - Determining Directors' Independence***

The NC determines the independence of Directors annually, having regard to the circumstances set forth in Provision 2.1. The NC is of the opinion that the Board is able to exercise objective judgment on corporate affairs independently and that the Board's decision-making process is not dominated by any individual or small group of individuals.

***Provision 4.5 - Multiple Board Representations***

The NC considers that the multiple board representations held presently by the Directors and/or their other principal commitments do not impede their performance in carrying out their duties to the Company and it is not necessary at this juncture to put a maximum limit on the number of listed company board representations. The Board has considered and is satisfied that each of the Director is able to and has adequately carried out his duties as a Director of the Company.

There is no alternate Director on the Board.

# Corporate
# **Governance Report**

**Board Performance**

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

*Provisions 5.1 and 5.2 - Conduct of Board performance*

The NC will implement a self-assessment process that requires each Director to assess the performance and effectiveness of the Board as a whole and the Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board, for each financial year. The self-assessment process will take into consideration, amongst others, board structure, corporate strategy and planning, risk management and internal control, performance measurement and compensation, succession planning, financial reporting, conduct of meetings and communication with Shareholders.

Although the Board's performance evaluation will not include a benchmark index of its industry peers, the Board assesses its effectiveness holistically through the completion of a questionnaire by each individual Director which includes questions covering the above-mentioned areas of assessment.

As the Company was recently listed on 5 March 2020, it is currently in the process of developing the aforesaid board assessment questionnaire in time for the assessment to be performed in respect of the financial year ending 31 December 2020 ("**FY2020**"), taking into consideration the guidelines contained in the Code. The questionnaire, when ready, will be completed individually by each Director. The NC will collate and review the responses and results of the questionnaire and discuss collectively with other Board members to address or recommend any areas for improvement and follow-up actions.

The NC met for the first time on 3 April 2020 to discuss, amongst others, the NC terms of reference and self-assessment process for board performance above.

## 2. REMUNERATION MATTERS

**Procedures for Developing Remuneration Policies**

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

*Provisions 6.1 and 6.2 – Remuneration Committee*

The RC comprises four (4) Directors, all of whom, including the RC Chairman, are independent.

| | | |
|---|---|---|
| Jackson Chevalier Yap Kit Siong | Chairman | Lead Independent Director |
| Chua Kern | Member | Independent Director |
| Hor Siew Fu | Member | Independent Director |
| Lee Dah Khang | Member | Independent Director |

The terms of reference of the RC sets out its duties and responsibilities. Amongst others, the RC is responsible for the following:

(a) review and recommend to the Board, in consultation with the Chairman, for endorsements, a comprehensive remuneration policy framework and guidelines for remuneration of the Directors and key management personnel;

(b) review and recommend to the Board, for endorsement, the specific remuneration packages for each of the Directors and key management personnel;

# Corporate **Governance Report**

(c) review and recommend Directors' fees for Non-Executive Directors for approval at the AGM;

(d) review and approve the design of, and the administration of, all share option plans, performance share plans and/or other equity-based plans; and

(e) review the remuneration of employees related to Directors and/or substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities, and no preferential treatment is given to him or her.

*Provision 6.3 - Review of remuneration*

The RC reviews and recommends to the Board the remuneration packages or policies for the Executive Directors and the key management personnel based on the performance of the Group, as well as the relevant personnel under review. No Director individually decides or is involved in the determination of his own remuneration. Each RC member will abstain from voting on any resolution in respect of his remuneration package. The RC's recommendations are submitted for endorsement by the Board.

The RC will also review the Company's obligations under the service agreements entered into with the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

An annual review of the compensation will be carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

As the Company was recently listed on 5 March 2020, the RC will review remuneration packages or policies for the Executive Directors and the key management personnel based on the performance of the Group at the end of FY2020. The RC met for the first time on 3 April 2020 to discuss, amongst others, the terms of reference, the Service Agreements of Executive Directors and Directors' fees for FY2020.

*Provision 6.4 - Engagement of remuneration consultants*

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external remuneration consultant was engaged in FY2019.

# Corporate **Governance Report**

## Level and Mix of Remuneration

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

*Provisions 7.1 and 7.3 - Remuneration of Executive Directors and Key Management Personnel*

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and to attract, retain and motivate Executive Directors and key management personnel. The remuneration packages take into account the performance of the Group, as well as the individual personnel.

The remuneration structure for the Executive Directors and key management personnel comprises both fixed and variable components. The fixed component includes a basic salary, whilst the variable component includes variable bonus and performance-linked incentives. In this way, the Company aims to link rewards to corporate and individual performance and performance-related remuneration is aligned with the interests of Shareholders and other stakeholders and promotes the long-term success of the Group.

The Company has adopted a performance share plan known as the "Memiontec Performance Share Plan" ("**PSP**") in conjunction with the Company's Listing. Executive and Non-Executive Directors and key management personnel are eligible to participate in the PSP in accordance with the rules of the PSP. The PSP is administered by the RC. As at the date of this report, no awards were granted under the PSP.

*Provision 7.2 - Remuneration of Non-Executive and Independent Directors*

The Independent Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Independent Directors are proposed by the Executive Directors and reviewed and recommended by the RC, based on the effort, time spent and the responsibilities of the individual Independent Directors. No Director is involved in deciding his/her own remuneration. The Independent Directors have not been over-compensated to the extent that their independence is compromised. The total remuneration of the Independent Directors is recommended for Shareholders' approval at each AGM. Save for the PSP, there are no other share-based compensation schemes in place for Independent Directors.

All the Non-Executive Directors who are Independent directors are compensated based on a fixed annual fee taking into consideration their respective contributions. As the Company was recently listed on 5 March 2020, there was no directors' fees payable to Non-Executive and Independent Directors for FY2019. Directors' fees for the Non-Executive and Independent Directors of S$190,000 for FY2020 (with payments to be made half yearly in arrears) have been recommended by the Board and will be tabled for approval by Shareholders at the forthcoming AGM.

# Corporate
# **Governance Report**

**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.**

*Provision 8.1 - Remuneration Report*

*Remuneration of Executive Directors and the CEO*

Mr. Tay Kiat Seng, the Executive Chairman and CEO of the Company, has a service agreement with the Company for an initial period of three (3) years with effect from the Listing of the Company on 5 March 2020. For further information on the remuneration of Mr. Tay Kiat Seng, please refer to the section entitled "Directors, Executive Officers and Staff - Service Agreements" of the Offer Document for the Listing.

*Remuneration of Individual Directors*

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

| | FY2019 Remuneration | | Breakdown of Directors' Remuneration | | | | |
|---|---|---|---|---|---|---|---|
| | Below S$250,000 | S$250,000 to S$500,000 | Salary (%) | Bonus (%) | Director's fee (%) | Allowances and other benefits[1] (%) | Total (%) |
| Mr. Tay Kiat Seng | – | X | 79.2 | 6.6 | – | 14.2 | 100 |
| Ms. Soelistyo Dewi Soegiharto | – | X | 77.5 | 5.8 | – | 16.7 | 100 |
| Mr. Low Kian Beng [2] | X | – | 94.9 | – | – | 5.1 | 100 |
| Mr. Jackson Chevalier Yap Kit Siong [3] | – | – | – | – | – | – | – |
| Mr. Chua Kern [3] | – | – | – | – | – | – | – |
| Mr. Hor Siew Fu [3] | – | – | – | – | – | – | – |
| Mr. Lee Dah Khang [3] | – | – | – | – | – | – | – |

**Notes:**

(1) Other benefits refer to benefits-in-kind such as fixed allowances and payments in respect of Company's statutory contributions to the Singapore Central Provident Fund.

(2) Mr. Low Kian Beng joined the Group in June 2017 and was appointed as an Executive Director on 30 December 2019.

(3) Appointed as Director on 30 December 2019.

# Corporate **Governance Report**

*Remuneration of Key Management Personnel*

A breakdown, showing the level and mix of the top three (3) key management personnel (who are not Directors or the CEO) for FY2019, is as follows:

| | FY2019 Remuneration | | Breakdown of Remuneration | | | |
|---|---|---|---|---|---|---|
| Name | Below S$250,000 | S$250,000 to S$500,000 | Salary (%) | Bonus (%) | Allowances and other benefits (%) | Total (%) |
| Ms. Wee Yeak Ing | X | – | 75.1 | 12.5 | 12.4 | 100 |
| Mr. Lim Wei Kuan | X | – | 76.9 | 6.4 | 16.7 | 100 |
| Ms. Irawati Tan | X | – | 80.5 | 8.4 | 11.1 | 100 |

**Notes:**

(1) There are only three (3) employees identified as key management personnel of the Group in FY2019.

(2) The aggregate of total remuneration paid to the top three (3) key management personnel (who are not Directors or the CEO) is S$443,556.

There were no termination, retirement and post-employment benefits paid to any Directors and the top 3 key management personnel in FY2019.

Save as disclosed above, the Code recommends that the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis.

The Board has decided not to disclose the aforementioned details as recommended by the Code due to the highly competitive market. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

*Provision 8.2 - Remuneration of employees who are immediate family members of a Director or the CEO*

Save for Mr. Tay Kiat Seng and Ms. Soelistyo Dewi Soegiharto who are spouses, there is no employee who is a substantial shareholder of the Company or is an immediate family member of a director, the CEO or a substantial shareholder of the Company, whose remuneration exceeded S$100,000 in FY2019.

*Provision 8.3 - Employee Share Scheme*

The Company has adopted the PSP on 30 December 2019, and Executive and Non-Executive Directors as well as key management personnel are eligible to participate in the PSP in accordance with the rules of the PSP. The PSP is administered by the RC. As at the date of this report, no awards were granted under the PSP.

# Corporate **Governance Report**

## 3. ACCOUNTABILITY AND AUDIT

**Accountability and Audit**

**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.**

*Provision 9.1 - Risk Management and Internal Control Systems*

In presenting the audited financial statements and half-year and full-year financial statements announcements to Shareholders, it is the aim of the Board to provide Shareholders with a balanced assessment of the Group's performance, position and prospects. Financial reports and other price-sensitive information are disseminated to Shareholders through announcements via SGXNet and releases via the press. The Management currently provides the Executive Directors and CEO with detailed management accounts of the Group's performance, position and prospects on a monthly basis. Non-Executive Independent Directors are also briefed on significant matters when required and receive management reports at least on a half-yearly basis.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements.

In line with the Catalist Rules, the Board will provide a negative assurance statement in its half-yearly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. All the Directors and key management personnel of the Group have also signed a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

The Board acknowledges that it is responsible for establishing, maintaining and reviewing the effectiveness of the Company's overall internal control framework. The Board also recognises that an effective internal control system will not preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

As the Group does not have a risk management committee, the AC assumes the responsibility of the risk management function. The AC has reviewed, with the assistance of the internal auditors engaged for the purpose of the Listing, and the external auditors, the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

The Company has put in place risk management and internal control systems, including financial, operational, compliance and information technology controls, which are detailed in formal instructions, standard operating procedures and financial authority limits policies. The Board has determined the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. The Board also monitors the Group's risks through the AC, internal auditors and external auditors.

The Group has an Enterprise Risk Management Framework in place to manage its exposure to risks that are associated with the conduct of its business. The Board will continue its risk assessment, which is an on-going process, with a view to improve the Group's internal control and risk management systems.

# Corporate
# **Governance Report**

*Provision 9.2 - Assurances to the Board*

For FY2019, the Board has received assurance from the CEO and the Group Financial Controller ("**GFC**"):

(a) 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

(b) regarding the adequacy and the effectiveness of the Group's risk management and internal control systems in addressing key financial, operational, compliance and information technology risks.

Based on the work performed by the external auditors, the internal auditors, the review undertaken by the Management, the existing management internal controls in place and the assurances from the CEO and the GFC, the Board, with the concurrence of the AC, is satisfied that the Group's internal controls, addressing financial, operational, compliance and information technology risks and the risk management systems were adequate and effective as at 31 December 2019.

The Board notes that the system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

**Audit Committee**

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

*Provisions 10.1 and 10.2 - AC Membership*

The AC comprises four (4) Directors, all of whom, including the AC Chairman, are independent.

| | | |
|---|---|---|
| Hor Siew Fu | Chairman | Independent Director |
| Jackson Chevalier Yap Kit Siong | Member | Lead Independent Director |
| Chua Kern | Member | Independent Director |
| Lee Dah Khang | Member | Independent Director |

*Expertise of AC Members*

The Board is of the opinion that there are two (2) members of the AC (including the AC Chairman) possess the necessary accounting or related financial management qualifications, expertise and experience in discharging their duties. The AC was also briefed on the new accounting standards and other regulations that might impact the Group's consolidated financial statements by the external auditors at the AC meetings.

# Corporate **Governance Report**

*Roles, Responsibilities and Authorities of AC*

The AC is established to assist the Board with discharging its responsibility of safeguarding the Group's assets, maintaining adequate accounting records, and developing and maintaining effective systems of risk management and internal controls.

The principal responsibilities of the AC include, amongst others:

(a) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the Group's system of internal controls, audit reports, their management letters and the Management's response, and the results of audits compiled by the internal and external auditors, and review at regular intervals with the Management the implementation by the Group of the internal control recommendations made by the internal and external auditors;

(b) review the periodic consolidated financial statements and any formal announcements relating to the Group's financial performance before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments arising from the audit, compliance with accounting standards, compliance with the Catalist Rules and any other statutory and regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;

(c) review and report to the Board, at least annually, the adequacy and effectiveness of the Group's internal control procedures (including financial, operational, compliance and information technology controls) and risk management systems and have oversight of the internal control processes of the Group to mitigate and manage risk at acceptable levels determined by the Board;

(d) review and discuss with the internal auditors and the external auditors, any issues and concerns arising from the internal audits and the external auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's financial performance or financial position and the Management's response;

(e) review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

(f) review and approve all hedging policies implemented by the Group (if any) and conduct periodic review of foreign exchange transactions and hedging policies and procedures;

(g) review the co-operation given by the Management to the internal and external auditors, where applicable;

(h) review the independence and objectivity of the internal and external auditors as well as consider the appointment or re-appointment of the internal and external auditors, including approving the remuneration and terms of engagement of the internal and external auditors;

(i) review and approve any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules and review procedures thereof;

(j) review potential conflicts of interests (if any) and set out a framework to resolve or mitigate any potential conflicts of interests;

(k) review the procedures by which employees of the Group may, in confidence, report to the Lead Independent Director, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions thereto;

(l) review transactions falling within the scope of Chapter 10 of the Catalist Rules, if any;

(m) review and approve transfer pricing policies implemented by the Group and conduct periodic review of such transfer pricing policies;

# Corporate **Governance Report**

(n) oversee the execution and compliance with the terms and conditions of the Combination Agreements and its associated undertakings (including those from Mr. Tay Kiat Seng and Ms. Soelistyo Dewi Soegiharto);

(o) review the measures and internal control procedures to safeguard the Group's interests pursuant to the Combination Agreements to ensure their relevance and adequacy;

(p) monitor any changes in the relevant Indonesian laws and regulations in relation to the foreign ownership restrictions and the resultant implication(s) to the Group;

(q) review the assurance from the CEO and GFC on the Group's financial records and financial statements;

(r) review 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 financial performance;

(s) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;

(t) review the whistle-blowing policy and procedures;

(u) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(v) monitor the use of proceeds from the Placement;

(w) monitor the adequacy of the current system of monitoring debtors' aging profile and ensure that such aspect will be included as part of the review scope for subsequent internal audits; and

(x) undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has the power to conduct or authorise investigations into any matter within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company. The AC has full access to and co-operation from Management, has full discretion to invite any Director or key management personnel to attend its meetings and has been given reasonable resources to enable it to discharge its functions. No member of the AC or any Director is involved in the deliberations and voting on any resolutions in respect of matters he is interested in.

The role of the AC in relation to financial reporting is to monitor the integrity of the half yearly and full year financial statements and that of any formal announcements relating to the Group's financial performance. The AC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

In the review of the financial statements for FY2019, the AC has reviewed the audit plans and the findings of the external auditors, which included reviews on the accounting and internal control system of the key operating subsidiaries. In addition, the AC has discussed with the Management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matters have also been included in the Independent Auditor's Report to the Shareholders under "Key Audit Matters", which include revenue recognition and consolidation of PT Memindo Pratama. Following the review, the AC is satisfied that those matters have been properly dealt with and recommended the Board to approve the financial statements.

# Corporate
# **Governance Report**

*Independence of External Auditors*

The AC reviews the independence and objectivity of the external auditors, Deloitte & Touche LLP, Singapore ("**Deloitte**"), through discussions with the external auditors, as well as an annual review of the volume and nature of non-audit services provided by the external auditors. The fees paid to the Group's external auditors are as disclosed in the table below:

| | **2019** <br> **S$** | **2018** <br> **S$** |
|---|---|---|
| Audit fees paid to: | | |
| - Auditors of the Company | 91,000 | 10,000 |
| - Other auditors | 42,874 | 5,208 |
| Non-audit fees paid to auditors of the Company in connection with the Listing of the Company [(a)] | 324,000 | – |
| | 457,874 | 15,208 |

(a) In FY2019, non-audit fees paid to auditors of the Company in connection with the Listing of the Company relates to reporting accountant fees of S$324,000, out of which S$264,208 was expensed off in the profit or loss as transaction costs arising from the Listing of the Company, whereas the remaining S$59,792 was included in "Trade and other receivables - deferred listing expenses" as at 31 December 2019.

The AC had reviewed all non-audit services provided by Deloitte and in the AC's opinion, the non-audit services provided by the external auditors does not impair their objectivity and independence as the fee is related to the Listing and is non-recurring in nature. Accordingly, the Company has complied with Rule 1204(6)(b) of the Catalist Rules.

The Company has also complied with Rules 712 and 715 of the Catalist Rules, as applicable, in relation to the Company's appointment of auditing firms.

After considering the adequacy of the resources and experience of the external auditors' firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the particular audit, the AC has recommended to the Board the nomination and re-appointment of Deloitte as the external auditors for the Company's audit obligations for the financial year ending 31 December 2020, at the forthcoming AGM.

*Whistle blowing policy*

The Company has in place a whistle blowing policy (the "**Policy**") which provides the mechanism for which staff of the Company may in confidence, raise concerns about possible improprieties of financial reporting or other matters.

The AC oversees the administration of the Policy. This Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting or other matters may be raised by employees and external parties in confidence and in good faith, without fear of reprisal. Details of this Policy have been disseminated and made available to all employees of the Company. All matters which are raised are then independently investigated and appropriate actions taken. The Lead Independent Director and AC ensure that independent investigations and any appropriate follow-up actions are carried out. As the Company is listed on Catalist on 5 March 2020, the whistle-blowing reporting will only commence in 2020.

***Provision 10.3 - Partners or Directors of the Company's Auditing Firm***

None of the AC members were former partners or directors of the Company's external auditor or hold any financial interest in the external auditor.

# Corporate **Governance Report**

*Provision 10.4 - Internal Audit Function*

In relation to the Listing, the Group had engaged RSM Risk Advisory Pte Ltd ("**RSM**") to conduct internal control reviews of the Group. The internal auditors report primarily to the AC on internal audit matters and the AC is empowered to review any of the accounting, auditing and financial practices of the Company and the Group. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including unrestricted direct access to the AC. The internal auditors will submit their annual audit planning for approval by the AC and report their findings to the AC. The AC had reviewed RSM's evaluation of the system of internal controls of the Group, and had evaluated the audit findings and the Management's responses to those findings, the effectiveness of material internal controls, including financial, operational, compliance and information technology controls and overall risk management of the Group for FY2019. The AC is satisfied that the internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The AC is also of the view that the internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

The Group had also appointed RSM to carry out internal control review for FY2020. The Board and the AC will ensure that the internal audit function is sufficiently resourced and internal audits are to be performed by competent professional staff with the relevant qualifications and experience. The AC will review annually the independence, adequacy and effectiveness of the internal audit function. The AC will also approve the appointment, removal, evaluation and compensation of the internal audit function.

To ensure adequacy of the internal audit function, the AC will also meet on a regular basis to review this function.

*Provision 10.5 - Meeting with external and internal auditors without presence of the Management*

To create an environment for open discussion on audit matters, the AC will meet with the external auditors and internal auditors, without the presence of Management, at least once a year. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC. During its meetings related to FY2019, no matters of concern over Management's interaction or responsiveness were reported. The AC last met with the external auditors and internal auditors, without the presence of Management, on 11 March 2020.

## 4. SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

*Provision 11.1 - Providing opportunity for Shareholders to participate and vote at general meetings*

The AGM is a forum for the Board to invite Shareholders to ask questions on the resolutions tabled at the AGM and to express their views. All the Directors will endeavour to attend the AGM and extraordinary general meetings ("**EGM**"). During these meetings, Shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. Simultaneously, the Company is also able to gather views or input and address Shareholders' concerns at general meetings.

Shareholders are encouraged to attend the AGMs/EGMs to ensure a high level of accountability and to stay apprised of the Group's strategy and goals. They are provided with opportunities to ask questions in the latest AGM and the meeting minutes recorded the details of Shareholders' questions and answers. Notice of the AGM/EGM will be advertised in newspapers and announced on SGXNET.

*Provision 11.2 - Separate resolutions at general meetings*

Matters which require Shareholders' approval were presented and proposed as a separate resolution. The Company practises having separate resolutions at general meetings for each distinct issue. Each item of special business in the notice of general meeting is accompanied by an explanatory note, where appropriate. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. No such resolutions were tabled in FY2019. Proxy form is also sent with the notice of general meeting to all Shareholders.

# Corporate
# **Governance Report**

*Provision 11.3 - Attendance of Directors and auditors at general meetings*

The Directors, including the Chairman of each of the Board Committee, are available at the meetings to address Shareholders' queries. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the Shareholders. The attendance of the Directors' attendance will be recorded.

*Provision 11.4 - Absentia voting*

For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

Provision 11.4 of the Code provides that an issuer's Constitution should allow for absentia voting at general meetings of Shareholders. Our Constitution currently does not, however, permit Shareholders to vote at general meetings in absentia (such as via mail, email or fax). The Company has not amended its Constitution to provide for absentia voting, as it could be costly to implement, bearing in mind that the Company would need to implement preventive measures to guard against errors, fraud and other irregularities. The Company is of the opinion that despite its deviation from Provision 11.4 of the Code, Shareholders nevertheless have opportunities to communicate their views on matters affecting the Company even when they are not in attendance at general meetings. For example, Shareholders may appoint proxies to attend, speak and vote, on their behalf, at the respective general meetings. The Company's Constitution allows appointment of proxies for a Shareholder who is absent from a general meeting to exercise his vote in absence through his proxy or proxies.

*Provision 11.5 - Minutes of general meetings*

The proceeding of each of the general meetings will be properly recorded by the Company Secretary, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. These minutes will be subsequently reviewed and approved by the Board and made available to the Shareholders on our corporate website at appropriate time.

*Provision 11.6 - Dividend Policy*

Provision 11.6 of the Code provides that an issuer should have a dividend policy and communicate it to Shareholders. The Company does not, however, have a stated policy of distributing a fixed percentage of earnings by way of dividend annually, with the exception of a minimum of 20% and 25% per cent of the net profit attributable to owners of the Company in respect of FY2019 and FY2020, respectively, as disclosed in the Offer Document for the Listing. The Board has recommended a proposed final dividend of Singapore 0.115 cents tax-exempt (one-tier) per share which will be subject to Shareholders' approval at the forthcoming AGM.

Any future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by the Board:

(a) the level of the Group's cash and retained earnings;

(b) the Group's actual and projected financial performance;

(c) the Group's projected levels of capital expenditure and other investment plans;

(d) our working capital requirements and general financing condition;

(e) restrictions on payment of dividends imposed on the Company by the Group's financing arrangements or legal and contractual obligations (if any); and

(f) the general economic and business conditions in countries in which we operate.

# Corporate **Governance Report**

Shareholders have the opportunity to communicate their views on matters affecting the Company, including the dividend payout in any given year. Notwithstanding the absence of a stated dividend policy, Shareholders are able to express their views to the Company on matters relating to dividends, whether this is done at AGMs or otherwise, and due consideration is given to such feedback.

## 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.**

***Provision 12.1 - Avenues for communication between the Board and shareholders***

The Company believes in timely and accurate dissemination of information to its Shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Catalist Rules and the Companies Act (Chapter 50 of Singapore). Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication to Shareholders is normally made through:

(a) annual reports or circulars to Shareholders (which include notices of general meetings) are prepared and made available to all Shareholders within the mandatory period;

(b) annual and half-yearly financial statements announcements containing a summary of the financial information and affairs of the Group for the period;

(c) notices and explanatory memoranda for general meetings;

(d) disclosures to the SGX-ST via SGXNet; and

(e) press releases.

***Provisions 12.2 and 12.3 - Investor Relations***

Outside of the financial announcement periods, when necessary and appropriate, the Directors will meet all stakeholders, Shareholders, analysts and media who wish to seek a better understanding of the Group's operations.

The Company does not make price-sensitive disclosure to a selected group. All announcements are released via the SGXNET. Shareholders will receive the Annual Report together with the notice of AGM which is also accessible through the SGXNET. The notice of AGM is also advertised in a local newspaper.

To further enhance its communication with the investors, the Company's website https://www.memiontec.com allows the public to have access to information on the Group. Alternatively, Shareholders may contact our investor relations team at IRMR@memiontec.com.

# Corporate **Governance Report**

**MANAGING STAKEHOLDERS RELATIONSHIPS ENGAGEMENT WITH STAKEHOLDERS**

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

*Provisions 13.1 and 13.2 - Engage with its material stakeholder groups*

The Company's stakeholders include employees, sub-contractors and suppliers, government and regulators, community, Shareholders and investors. The Company engages these stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Company maintains contacts with its customers, suppliers and subcontractors by attending business events and through direct site meetings. The site meetings take place as and when required and at least once annually.

The Company engages with its creditors as and when required by email, social media and the Company's website.

Recognising that employees are key assets of the Company, the Company maintains close relationships with all employees via townhall, teambuilding events, etc.

The Company will publish its first Sustainability Report by 31 December 2021 in respect of FY2020, following its first full financial year of Listing. Although no Sustainability Report is being issued for FY2019, the Company believes that it is well aware of its stakeholders' expectations in respect of sustainable issues and works hard to be seen as a responsible corporate citizen in respect of environmental, social and governance factors.

*Provision 13.3 - Corporate website to communicate and engage with stakeholders.*

The Company maintains a current corporate website to communicate and engage with stakeholders at https://www.memiontec.com, where information such as corporate information, our business and services, project references and investors' information.

## 5. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person and has set out the procedures for review and approval of the Company's interested person transactions ("**IPT**").

All IPTs are reported in a timely manner to the AC and are subject to the review of the AC when a potential conflict of interest arises. The IPTs are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Director(s) concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Group does not have a general mandate from Shareholders for IPTs pursuant to Rule 920 of the Catalist Rules. Notwithstanding this, the Group had entered into certain IPTs, details of which were duly disclosed in the Offer Document for the Listing, in the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions".

There were no IPTs entered into between the Company or its subsidiary corporations and any of its interested persons exceeding S$100,000 during FY2019.

# Corporate
# **Governance Report**

## 6. MATERIAL CONTRACTS

Save as disclosed in the Offer Document for the Listing, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director, the CEO or controlling Shareholder which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

## 7. DEALINGS IN SECURITIES

The Company has adopted an internal securities code of compliance to provide guidance to the Directors, officers and all employees of the Group with regard to dealing in the Company's securities pursuant to Rule 1204(19) of the Catalist Rules, in relation to the best practices on dealings in the securities, as follows:

(a) the Company had devised and adopted its own internal compliance code to provide guidance to its Directors and officers with regards to dealings by the Company, its Directors and its officers in its securities, as well as to set out the implications on insider trading;

(b) Directors and officers of the Company are discouraged from dealing in the Company's securities on short-term considerations; and

(c) the Company, the Directors and its officers are prohibited from dealing in the Company's securities (i) during the periods commencing one month before the announcement of the Company's half year and full year financial statements, and ending on the date of the announcement of the relevant financial results; and (ii) if they are in possession of unpublished price-sensitive information of the Group. Half yearly reminders will be sent to its Directors and employees on the restrictions in dealings in listed securities of the Company.

## 8. USE OF PROCEEDS

Pursuant to the Listing, the Company received a total net proceeds of approximately S$5.82 million ("**Net Proceeds**") raised from the issuance of 39,987,000 new shares in the capital of the Company. As at the date of this report, none of the Net Proceeds has been utilised and the status on the use of the Net Proceeds is as follows:

| **Use of Net Proceeds** | **Amount allocated** | **Amount utilised** | **Balance** |
|---|---|---|---|
| | **S$'000** | **S$'000** | **S$'000** |
| Investment in BOOT projects and merger and acquisitions | 2,100 | – | 2,100 |
| Expansion of sales and distribution of systems and equipment business | 800 | – | 800 |
| General working capital | 2,917 | – | 2,917 |
| **Total** | 5,817 | – | 5,817 |

The Company will make periodic announcements via SGXNet as and when the Net Proceeds is materially utilised.

## 9. NON-SPONSORSHIP FEES

The Company was listed on the Catalist board of the SGX-ST on 5 March 2020, and ZICO Capital Pte. Ltd. ("**ZICO Capital**") was the Sponsor and Issue Manager of the Company in respect of the Listing. Pursuant to the Listing, Sponsor and Issue Manager fees of S$240,000 (excluding GST) were paid/payable in FY2019, and S$140,000 and S$148,500 (excluding GST and out-of-pocket expenses) were paid/payable in cash and shares, respectively, upon completion of the Listing in FY2020, to ZICO Capital. Save as disclosed above, with reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were paid to the Company's Sponsor, ZICO Capital, for FY2019 and up to the date of this report.

# Financial Statements
# **Contents**

# Directors' **Statement**

The directors present their statement together with the audited consolidated financial statements of Memiontec Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of the 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, the consolidated financial statements of the Group and the statement of financial position and statement of changes of equity of the Company as set out on pages 51 to 128 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

| | |
|---|---|
| Tay Kiat Seng | (Executive Chairman / Chief Executive Officer) |
| Soelistyo Dewi Soegiharto | |
| Low Kian Beng | (Appointed on 30 December 2019) |
| Jackson Chevalier Yap Kit Siong | (Appointed on 30 December 2019) |
| Chua Kern | (Appointed on 30 December 2019) |
| Hor Siew Fu | (Appointed on 30 December 2019) |
| Lee Dah Khang | (Appointed on 30 December 2019) |

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose objects is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, except as follows:

| **Name of directors and company in which interests are held** | **Shareholdings registered in name of directors** | | **Shareholdings in which directors are deemed to have an interest** | |
|---|---|---|---|---|
| | **At beginning of year** | **At end of year** | **At beginning of year** | **At end of year** |
| *Ordinary shares of the Company* | | | | |
| Tay Kiat Seng | 67 | 2,572,716 | – | 575,142 |
| Soelistyo Dewi Soegiharto | 33 | 756,704 | – | – |

# Directors' **Statement**

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, the above directors with shareholdings are deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 January 2020 were the same at 31 December 2019.

## 4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company was granted.

(b) *Options exercised*

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

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company under option.

## 5 AUDIT COMMITTEE

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

Hor Siew Fu (AC Chairman)
Jackson Chevalier Yap Kit Siong
Chua Kern
Lee Dah Khang

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

(a) Reviewed the audit plans and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;

(b) Reviewed the Group's financial and operating results and accounting policies;

(c) Reviewed the audit plans and results of the external auditors;

(d) Reviewed the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;

(e) Reviewed the annual annoucements as well as the related press releases on the results and financial position of the Company and the Group;

# Directors' **Statement**

**5 AUDIT COMMITTEE (CONT'D)**

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

(f) Reviewed the co-operation and assistance given by management to the Group's external auditors; and

(g) Reviewed the re-appointment of the external auditors of the Company.

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

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the Company.

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

**6 AUDITORS**

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.............................................
Tay Kiat Seng

.............................................
Soelistyo Dewi Soegiharto

13 April 2020

# Independent **Auditor's Report**

To The Members of Memiontec Holdings Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Memiontec Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), 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 the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 128.

In our opinion, the accompanying consolidated financial statements of the Group and 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)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matter

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

# Independent **Auditor's Report**

To The Members of Memiontec Holdings Ltd.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Revenue recognition of total solutions with engineering, procurement and construction ("TSEPC") contracts**<br><br>During the financial year ended 31 December 2019, revenue from TSEPC contracts amounted to S$19,556,051, which represented 67% of the Group's revenue.<br><br>The Group is involved in TSEPC contracts with customers for which it applies cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs ("input method") to measure the Group's progress towards complete satisfaction of a performance obligation and recognise revenue over time in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.<br><br>Significant judgement is required from management and project teams to estimate the total contract costs. The uncertainty and subjectivity involved in determining the total cost on completion may result in a significant impact to the revenue recognised during the year.<br><br>The critical accounting judgements and key source of estimation uncertainty on revenue recognition of TSEPC contracts is disclosed in Note 3 and the amount of revenue recognised based on input method is disclosed in Note 24. | We have performed the following procedures:<br><br>• Obtained an understanding of the ongoing and completed projects;<br><br>• Obtained an understanding and evaluated the design and implementation of relevant controls to address significant risks associated with revenue recognition and cost recognition and estimation;<br><br>• Performed substantive tests of details on a sampling basis for the costs incurred during the reporting period and checked that costs incurred were recorded in the correct accounting period;<br><br>• Obtained the estimated total costs on completion and assessed the reasonableness of the estimates used by management, including on a sampling basis, agreed the estimates to the supporting documents and performed retrospective review on completed projects;<br><br>• Discussed with management on any potential project delays or cost overruns which cannot be recovered from customers;<br><br>• Agreed the contract sum or any variation orders to the signed agreements;<br><br>• Re–computed the percentage of progress of the contracts based on input method to test the accuracy of the percentage of progress and checked that the revenue was recognised based on the percentage of progress; and<br><br>• Assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements.<br><br>Based on our audit procedures performed above, we found that the management's judgement in relation to the estimation of construction contracts to be reasonable. |

# Independent **Auditor's Report**

To The Members of Memiontec Holdings Ltd.

| KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Consolidation of the financial results of PT Memindo Pratama ("PTMP")**<br><br>As disclosed in Note 13(e), the Group consolidates PTMP as a subsidiary even though the Group has no equity ownership interest in PTMP.<br><br>The management has assessed that the Group has established control over PTMP on the basis that the Group has the power to direct the relevant activities of PTMP by appointment of key management personnel of PTMP, has rights to variable returns from its involvement with PTMP through a loan extended to PTMP together with loan securities documents (collectively, "Combination Agreements") and undertaking agreements ("Undertaking Agreements").<br><br>Management has obtained two legal opinions ("Legal Opinions") from Nurjadin Sumono Mulyadi Partners ("NSMP") and Soewito Suhardiman Eddymurthy Kardono ("SSEK") (collectively "Indonesian Legal Counsels"). The management is of the view, taking into account the Legal Opinions and subject to the assumptions and qualifications set out therein, that the corporate structure of the Group complies with the prevailing Indonesian laws and regulations and that the Combination Agreements and Undertaking Agreement are legal and enforceable under the prevailing Indonesian laws and regulations.<br><br>The consolidation of PTMP which holds 30% of shareholdings in PT Memiontec Indonesia ("PTMI") involved in significant management's judgements made on the Group's control over PTMP. | We have performed the following procedures:<br><br>• Obtained and reviewed the Combination Agreements and Undertaking Agreement;<br><br>• Assessed the competency, reputation and objectivity of the independent Legal Counsels appointed by the Group in providing the Legal Opinions;<br><br>• Reviewed Legal Opinions obtained by management from the Indonesian Legal Counsels;<br><br>• Assessed and evaluated management's accounting treatment on the consolidation of PTMP; and<br><br>• Reviewed the adequacy and appropriateness of the disclosures made in the financial statements<br><br>Based on our procedures performed above, we found that the management's judgement made on their control over PTMP to be reasonable. |

# Independent **Auditor's Report**

To The Members of Memiontec Holdings Ltd.

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

## RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, 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:

(a) 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.

(b) 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.

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

# Independent **Auditor's Report**

To The Members of Memiontec Holdings Ltd.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

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

(d) 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.

(e) 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.

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

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ronny Chandra.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore

13 April 2020

# Statements of **Financial Position**

As at 31 December 2019

| | Note | Group | | | Company | |
|---|---|---|---|---|---|---|
| | | 31 December 2019 $ | 31 December 2018 $ (Restated) | 1 January 2018 $ (Restated) | 31 December 2019 $ | 31 December 2018 $ |
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 7 | 4,900,872 | 5,594,228 | 3,161,816 | 1,068,877 | 21,321 |
| Trade and other receivables | 8 | 4,567,455 | 4,051,525 | 2,076,399 | 1,099,848 | – |
| Contract assets | 9 | 7,550,860 | 4,689,508 | 5,763,352 | – | – |
| Inventories | 10 | 1,082,773 | 237,836 | 280,877 | – | – |
| Total current assets | | 18,101,960 | 14,573,097 | 11,282,444 | 2,168,725 | 21,321 |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 11 | 1,402,899 | 2,741,360 | 2,854,522 | – | – |
| Right-of-use assets | 12 | 345,298 | – | – | – | – |
| Investment in subsidiaries | 13 | – | – | – | 3,939,462 | 5,177,063 |
| Investment in a joint venture | 14 | 2,181,658 | 2,180,224 | 1,735,594 | – | – |
| Deferred tax assets | 20 | 34,300 | 3,787 | 4,799 | – | – |
| Total non-current assets | | 3,964,155 | 4,925,371 | 4,594,915 | 3,939,462 | 5,177,063 |
| **Total assets** | | 22,066,115 | 19,498,468 | 15,877,359 | 6,108,187 | 5,198,384 |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Trade and other payables | 16 | 11,332,161 | 7,683,251 | 6,648,590 | 1,597,382 | 2,197,298 |
| Contract liabilities | 9 | 312,499 | 209,395 | 1,961,152 | – | – |
| Leases liabilities | 12 | 150,412 | – | – | – | – |
| Finance leases | 12 | – | 40,071 | 42,427 | – | – |
| Borrowings | 17 | 251,285 | 436,987 | 692,586 | – | – |
| Income tax payable | | 335,060 | 529,290 | 48,998 | – | – |
| Total current liabilities | | 12,381,417 | 8,898,994 | 9,393,753 | 1,597,382 | 2,197,298 |

# Statements of
# **Financial Position (Cont'd)**

As at 31 December 2019

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | Note | 31 December 2019<br>$ | 31 December 2018<br>$<br>(Restated) | 1 January 2018<br>$<br>(Restated) | 31 December 2019<br>$ | 31 December 2018<br>$ |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Leases liabilities | 12 | 192,473 | – | – | – | – |
| Finance leases | 12 | – | 118,855 | 96,328 | – | – |
| Borrowings | 17 | 247,582 | 904,950 | 1,340,387 | – | – |
| Retirement benefit obligations | 19 | 201,620 | 84,218 | 66,145 | – | – |
| Deferred tax liabilities | 20 | 8,394 | 52,134 | 43,000 | – | – |
| Total non-current liabilities | | 650,069 | 1,160,157 | 1,545,860 | – | – |
| **Capital, reserves and non-controlling interests** | | | | | | |
| Share capital | 21 | 3,904,562 | 60,354 | 1,560,354 | 3,904,562 | 100 |
| Translation reserve | 22 | (343,145) | (634,896) | (424,650) | – | – |
| Other reserves | 23 | 132,903 | 1,500,000 | – | 1,046,822 | 3,904,462 |
| Retained earnings/ (Accumulated losses) | | 5,297,743 | 8,236,578 | 3,640,978 | (440,579) | (903,476) |
| Equity attributable to owners of the Company | | 8,992,063 | 9,162,036 | 4,776,682 | 4,510,805 | 3,001,086 |
| Non-controlling interests | | 42,566 | 277,281 | 161,064 | – | – |
| Total equity | | 9,034,629 | 9,439,317 | 4,937,746 | 4,510,805 | 3,001,086 |
| **Total liabilities and equity** | | 22,066,115 | 19,498,468 | 15,877,359 | 6,108,187 | 5,198,384 |

See accompanying notes to the consolidated financial statements.

# Consolidated Statement of Profit or Loss **and Other Comprehensive Income**

Year ended 31 December 2019

| | Note | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|---|
| **Revenue** | 24 | 29,305,225 | 24,456,697 |
| Cost of sales | | (24,770,466) | (17,264,588) |
| **Gross profit** | | 4,534,759 | 7,192,109 |
| Other income | 25 | 609,619 | 677,843 |
| General and administrative expenses | | (3,467,110) | (2,636,247) |
| Share of (loss) profit of joint venture | | (19,110) | 536,150 |
| Finance costs | 26 | (128,389) | (160,806) |
| Other operating expenses | 27 | (962,662) | (144,512) |
| **Profit before income tax** | | 567,107 | 5,464,537 |
| Income tax expense | 28 | (259,035) | (745,318) |
| **Profit for the year** | 29 | 308,072 | 4,719,219 |
| **Other comprehensive income** | | | |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Remeasurement of defined benefit obligations | 19 | (20,873) | 2,475 |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange losses on translation of foreign operations | | (32,006) | (220,123) |
| **Other comprehensive income for the year, net of tax** | | (52,879) | (217,648) |
| **Total comprehensive income for the year** | | 255,193 | 4,501,571 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

Year ended 31 December 2019

| | Note | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|---|
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 306,784 | 4,593,249 |
| Non-controlling interests | | 1,288 | 125,970 |
| | | 308,072 | 4,719,219 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 253,735 | 4,385,354 |
| Non-controlling interests | | 1,458 | 116,217 |
| | | 255,193 | 4,501,571 |
| **Earnings per share** | | | |
| Basic and diluted (cents) | 30 | 0.2 | 2.6 |

See accompanying notes to the consolidated financial statements.

# Statements of **Changes in Equity**

Year ended 31 December 2019

| Group | Share capital $ (Note 21) | Translation reserve $ (Note 22) | Other reserves $ (Note 23) | Retained earnings $ | Equity attributable to owners of the Company $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018 (As previously reported )** | 100 | (304,928) | 1,500,000 | 1,283,469 | 2,478,641 | 39,754 | 2,518,395 |
| Effect of common control adjustments (Note 35) | 1,560,254 | (119,722) | (1,500,000) | 2,357,509 | 2,298,041 | 121,310 | 2,419,351 |
| **Balance at 1 January 2018 (As restated)** | 1,560,354 | (424,650) | – | 3,640,978 | 4,776,682 | 161,064 | 4,937,746 |
| Total comprehensive income for the year: | | | | | | | |
| Profit for the year (As previously reported) | – | – | – | 2,074,558 | 2,074,558 | (6,231) | 2,068,327 |
| Effect of common control adjustments (Note 35) | – | – | – | 2,518,691 | 2,518,691 | 132,201 | 2,650,892 |
| Profit for the year (As restated) | – | – | – | 4,593,249 | 4,593,249 | 125,970 | 4,719,219 |
| Other comprehensive income for the year (As previously reported) | – | (34,992) | – | – | (34,992) | (1,564) | (36,556) |
| Effect of common control adjustments (Note 35) | – | (175,254) | – | 2,351 | (172,903) | (8,189) | (181,092) |
| Other comprehensive income for the year (As restated) | – | (210,246) | – | 2,351 | (207,895) | (9,753) | (217,648) |
| Total (As restated) | – | (210,246) | – | 4,595,600 | 4,385,354 | 116,217 | 4,501,571 |
| Transactions with owners, recognised directly in equity: | | | | | | | |
| Effect of common control adjustments (Note 35) | (1,500,000) | – | 1,500,000 | – | – | – | – |
| **Balance at 31 December 2018 (As restated)** | 60,354 | (634,896) | 1,500,000 | 8,236,578 | 9,162,036 | 277,281 | 9,439,317 |
| Total comprehensive income for the year: | | | | | | | |
| Profit for the year | – | – | – | 306,784 | 306,784 | 1,288 | 308,072 |
| Other comprehensive income for the year | – | (32,301) | – | (20,748) | (53,049) | 170 | (52,879) |
| Total | – | (32,301) | – | 286,036 | 253,735 | 1,458 | 255,193 |

# Statements of
# **Changes in Equity (Cont'd)**

Year ended 31 December 2019

| Group | Share capital $ (Note 21) | Translation reserve $ (Note 22) | Other reserves $ (Note 23) | Retained earnings $ | Equity attributable to owners of the Company $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|---|---|---|
| Transactions with owners, recognised directly in equity: | | | | | | | |
| Effects arising from Group's restructuring exercise: | | | | | | | |
| - Disposal of a subsidiary (Note 32) | – | 324,052 | (164,274) | – | 159,778 | (28,959) | 130,819 |
| - Dilution of non-controlling interest in a subsidiary | – | – | 213,093 | – | 213,093 | (213,093) | – |
| - Deemed capital contribution | (60,254) | | 1,441,724 | – | 1,381,470 | 25,345 | 1,406,815 |
| - Advance for subscription of shares | – | – | 1,046,822 | – | 1,046,822 | – | 1,046,822 |
| Issuance of new ordinary shares | 3,904,462 | – | (3,904,462) | – | – | – | – |
| Dividends (Note 31) | – | – | – | (3,224,871) | (3,224,871) | (19,466) | (3,244,337) |
| | 3,844,208 | 324,052 | (1,367,097) | (3,224,871) | (423,708) | (236,173) | (659,881) |
| **Balance at 31 December 2019** | 3,904,562 | (343,145) | 132,903 | 5,297,743 | 8,992,063 | 42,566 | 9,034,629 |

# Statements of **Changes in Equity (Cont'd)**

Year ended 31 December 2019

| Company | Share capital $ (Note 21) | Other reserves $ (Note 23) | Accumulated losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 January 2018** | 100 | – | (139,369) | (139,269) |
| Loss for the year, representing total comprehensive income for the year | – | – | (764,107) | (764,107) |
| Contribution from shareholders, representing transactions with owners, recognised directly in equity | – | 3,904,462 | – | 3,904,462 |
| **Balance at 31 December 2018** | 100 | 3,904,462 | (903,476) | 3,001,086 |
| Profit for the year, representing total comprehensive income for the year | – | – | 462,897 | 462,897 |
| Transactions with owners, recognised directly in equity | | | | |
| - Issuance of new ordinary shares | 3,904,462 | (3,904,462) | – | – |
| - Advance for subscription of shares | – | 1,046,822) | – | 1,046,822 |
| **Balance at 31 December 2019** | 3,904,562 | 1,046,822 | (440,579) | 4,510,805 |

See accompanying notes to the consolidated financial statements.

# Consolidated Statement **of Cash Flows**

Year ended 31 December 2019

| | Group | |
|---|---|---|
| | 2019<br>$ | 2018<br>$<br>(Restated) |
| **Operating activities** | | |
| Profit before income tax | 567,107 | 5,464,537 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 163,488 | 239,296 |
| Depreciation of right-of-use assets | 149,490 | – |
| Retirement benefit obligations | 88,777 | 24,894 |
| Share of loss (profit) of joint venture | 19,110 | (536,150) |
| Interest expense | 128,389 | 160,806 |
| Interest income | (191,663) | (165,934) |
| Gain on disposal of property, plant and equipment | (6,172) | – |
| Net foreign exchange (gain) loss | (98,937) | 114,737 |
| Operating cash flows before movements in working capital | 819,589 | 5,302,186 |
| Trade and other receivables | 285,840 | (1,953,792) |
| Contract assets | (2,861,352) | 1,073,844 |
| Inventories | (844,937) | 43,041 |
| Trade and other payables | 3,665,895 | 1,354,899 |
| Contract liabilities | 103,104 | (1,751,757) |
| Cash generated from operations | 1,168,139 | 4,068,421 |
| Income tax paid | (520,561) | (255,892) |
| Interest income received | 191,663 | 144,600 |
| Net cash from operating activities | 839,241 | 3,957,129 |
| **Investing activities** | | |
| Purchase of property, plant and equipment (Note A) | (64,604) | (154,701) |
| Additions of right-of-use assets (Note B) | (7,290) | – |
| Proceeds from disposal of property, plant and equipment | 6,172 | – |
| Proceeds from disposal of a subsidiary | 696,564 | – |
| Net cash from (used in) investing activities | 630,842 | (154,701) |
| **Financing activities** | | |
| Advances received for subscription of shares | 1,046,822 | – |
| Capital contribution in a subsidiary from other parties | 1,406,815 | – |
| Interest paid | (83,253) | (157,952) |
| Payment of transaction cost in connection to the issuance of shares | (107,955) | – |
| Dividends paid | (3,244,337) | – |
| Repayments paid to directors | (422,072) | (323,092) |
| Repayments of borrowings | (675,948) | (659,837) |
| Repayments of obligations under finance leases | – | (48,028) |
| Repayments of lease liabilities | (118,820) | – |
| Net cash used in financing activities | (2,198,748) | (1,188,909) |
| Net (decrease) increase in cash and cash equivalents | (728,665) | 2,613,519 |
| Cash and cash equivalents at beginning of the year | 5,594,228 | 3,161,816 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | 35,309 | (181,107) |
| **Cash and cash equivalents at end of the year (Note 7)** | 4,900,872 | 5,594,228 |

Notes to the consolidated statement of cash flows:

(A) For the financial year ended 31 December 2018, the Group acquired property, plant and equipment amounting to $224,201 of which $69,500 was acquired through finance lease arrangements (Note 12).

(B) For the financial year ended 31 December 2019, the Group acquired right-of-use assets amounting to $183,216 of which $175,926 was acquired through lease arrangement (Note 12).

See accompanying notes to the consolidated financial statements.

# Notes to The
# **Financial Statements**
31 December 2019

## 1 GENERAL

The Company (Registration No. 201305845W) is incorporated and domiciled in Singapore with its principal place of business and registered office at 20 Woodlands Link, #04-30/31, Singapore 738733. The Company converted into a public company limited by shares on 30 December 2019, and was listed on Catatlist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 5 March 2020. The consolidated financial statements are expressed in Singapore dollars ("$"), which is also the functional currency of the Company.

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

The principal activities of the subsidiaries, joint venture and joint operation are disclosed in Notes 13, 14 and 15 respectively to the consolidated financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 13 April 2020.

## 2 ADOPTION OF NEW STANDARDS

**New and amended SFRS(I)s that are effective for the current year**

Impact of initial application of SFRS(I) 16 *Leases ("SFRS(I) 16")*

In the current year, the Group has applied SFRS(I) 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3.6. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019.

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the Standard:

- For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

- The Group accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

- The Group has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application.

# Notes to The
# **Financial Statements**
31 December 2019

## 2 ADOPTION OF NEW STANDARDS (CONT'D)

**New and amended SFRS(I)s that are effective for the current year (cont'd)**

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 *Leases* ("SFRS(I) 1-17") and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4") will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meets the definition of a lease of the Group.

Impact on Lessee Accounting

*Former operating leases*

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off balance sheet.

Applying SFRS(I) 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii);

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within 'administrative expenses' in profit or loss.

The Group has applied SFRS(I) 16 using the modified retrospective approach. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.00%.

# Notes to The
# **Financial Statements**
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## 2 ADOPTION OF NEW STANDARDS (CONT'D)

**New and amended SFRS(I)s that are effective for the current year (cont'd)**

Explanation of difference between operating lease commitments and lease liabilities:

| | **2019** |
|---|---|
| | **$** |
| Operating lease commitments disclosed as at 31 December 2018 | 159,061 |
| Less: Short-term leases recognised on a straight-line basis as expense | (1,594) |
| Less: Leases of low value assets recognised on a straight-line basis as expense | (30,344) |
| | 127,123 |
| Discounted using the Group's incremental borrowing rate of 7.00% | (7,724) |
| Add: Finance lease liabilities recognised as at December 2018 (Note 12) | 158,926 |
| Lease liabilities recognised as at 1 January 2019 | 278,325 |

In addition, the Group recognised right-of-use assets of $311,572 as at 1 January 2019 upon transition to SFRS(I) 16 as disclosed in Note 12.

**New and amendments to SFRS(I)s in issue but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised SFRS(I) Standards that have been issued but are not yet effective:

| | |
|---|---|
| SFRS(I) 17 [(i)] | *Insurance Contracts* |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 [(iii)] | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* |
| Amendments to SFRS(I) 3 [(ii)] | *Definition of a business* |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 [(iv)] | *Definition of material* |
| Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 [(iv)] | *Interest Rate Benchmark Reform* |

(i) Effective for annual periods beginning on or after 1 January 2021.

(ii) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

(iii) Effective for annual periods beginning on or after a date to be determined.

(iv) Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to SFRS(I)s, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

# Notes to The
# Financial Statements
31 December 2019

**2 ADOPTION OF NEW STANDARDS (CONT'D)**

**Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all SFRS(I)s and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

**Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in SFRS(I) Standards**

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain SFRS(I)s have been updated to the New Framework, whilst some SFRS(I)s are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Accounting

The consolidated financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Paymen*t, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Asset*s.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

c) Level 3 inputs are unobservable inputs for the asset or liability.

### 3.2 Basis of Combination

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# Notes to The **Financial Statements**

31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Basis of Combination (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

#### 3.2.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in a joint venture.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with the changes in fair value being recognised in profit or loss.

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

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

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

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

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

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

# Notes to The **Financial Statements**

31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Merger Accounting For Business Combination Involving Entities Under Common Control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities of business came under the control of the controlling party.

The net assets of the combining entities or businesses are combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

### 3.5 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

#### 3.5.1 Financial assets

Classification and measurement

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Debt instruments mainly comprise cash and cash equivalents and trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

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

*Amortised cost and effective interest method*

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

# Notes to The **Financial Statements**

31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial Instruments (cont'd)

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

Classification and measurement (con'd)

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

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

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomics factors affecting the ability of the customers to settle the receivables.

# Notes to The **Financial Statements**
31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial Instruments (cont'd)

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

Impairment of financial assets (con'd)

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

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

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

*Definition of default*

The Group considers 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.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Measurement and recognition of expected credit losses*

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

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

# Notes to The
# **Financial Statements**
31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial Instruments (cont'd)

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

Impairment of financial assets (con'd)

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

#### 3.5.2 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank borrowings and finance leases are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs in Note 3.14.

Derecognition of financial liabilities

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

#### 3.5.3 Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Leases

The Group has applied SFRS(I) 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under SFRS(I) 1-17. The details of accounting policies under both SFRS(I) 1-17 and SFRS(I) 16 are presented separately below.

*Policies applicable from 1 January 2019*

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these 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.

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 lessee 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 rate, initially measured using the index or rate at the commencement date;

- The amount expected to be payable by the lessee under residual value guarantees;

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement 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 by 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:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

# Notes to The
# **Financial Statements**
31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Leases (Cont'd)

The Group as lessee (Cont'd)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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. To the extent that the costs relate 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 depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

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

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.9.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*Policies applicable prior to 1 January 2019*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

# Notes to The
# **Financial Statements**
31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Leases (Cont'd)

The Group as lessee (Cont'd)

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

### 3.7 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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.

### 3.8 Property, Plant And Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

| | Number of years |
|---|---|
| Leasehold properties | Over terms of lease |
| Water treatment facility | 25 |
| Renovation | 3 to 10 |
| Machinery and equipment | 3 to 5 |
| Office equipment, furniture and fittings | 3 to 5 |
| Motor vehicles | 4 to 10 |
| Computers | 5 |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Property, Plant And Equipment (Cont'd)

Fully depreciated assets still in use are retained in the consolidated financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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

### 3.9 Impairment of Tangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

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 treated as a revaluation decrease.

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 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.

### 3.10 Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Joint Venture (Cont'd)

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Interests In A Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under a joint operation, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the SFRS(I)s applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

### 3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

# Notes to The **Financial Statements**

31 December 2019

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Revenue Recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer;
- Step 2 : Identify the performance obligations in the contract;
- Step 3 : Determine the transaction price;
- Step 4 : Allocate the transaction price to the performance obligations in the contract; and
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs; or
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with SFRS(I) 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Revenue Recognition (Cont'd)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Revenue from total solutions with engineering, procurement and construction ("TSEPC") projects

The Group provides total solutions with engineering, procurement and construction services in the fields of water and wastewater treatment management under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from provision of such services is therefore recognised over time using input method, i.e. based on the actual costs incurred by the Group to date compared with the total budgeted cost for the project to estimate the revenue recognised during the period. The management of the Group considers that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under SFRS(I) 15.

Operation, maintenance and service of water and waste water treatment plants ("OMS")

Revenue from OMS services is recognised as performance obligation satisfied over time in the accounting period when the services are rendered.

Sales and distribution of systems and equipment ("Trading")

Revenue from Trading is recognised at the point in time when the control of the goods is transferred to the customers.

Sales of water

Revenue from sales of potable water is recognised at the point in time based on volume delivered to the customers based on meter readings.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

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

Construction revenue from service concession arrangements

Construction revenue relates to a service concession arrangement entered by a joint venture with a Indonesian state-owned enterprise to construct and operate a water treatment plant, accounted for under SFRS(I) INT 12 *Service Concession Arrangements*. Construction revenue is recognised over time using the cost-based input method.

Finance income from service concession arrangements

Financial income from service concession arrangement is recognised when it is probable that the economic benefits will flow to the joint venture and the amount of income can be measured reliably. Financial income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# Notes to The
# **Financial Statements**
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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.14 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.15 Government Grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**3.16 Retirement Benefit Costs**

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out as at each reporting date. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "general and administrative expenses". Curtailment gains and losses are accounted for as past service costs.

# Notes to The
# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.16 Retirement Benefit Costs (Cont'd)

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

### 3.17 Employee Leave Entitlement

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

### 3.18 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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# **Financial Statements**
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## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 Foreign Currency Transactions And Translation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. As at each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

On combination, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

### 3.20 Cash and Cash Equivalents in The Consolidated Statement of Cash Flows

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, cash at banks and deposits, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# Notes to The
# **Financial Statements**
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### 3.21 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to members of management and the chief operating decision makers who are responsible for allocating resources and assessing performance of the operating segments.

### 3.22 Service Concession Arrangement

The Group's service concession arrangement is held by a joint venture. Public-to-private service concession arrangement is accounted for under SFRS(I) INT 12 *Service Concession Arrangements* if the following two conditions are met:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

The nature of the consideration from the grantor determines its subsequent accounting treatment. The consideration may be a right to (a) a financial asset; (b) an intangible asset; or (c) hybrid of a financial asset and an intangible asset. The joint venture's service concession arrangement relates to a financial asset.

Financial assets arising from service concession arrangements represent the amounts due from the grantor for services provided by the Group in connection with service concession arrangements where the Group has an unconditional right to receive cash from the grantor. Financial assets arising from service concession arrangements are measured by the joint venture in accordance with accounting policies in Note 3.5.1; whereas construction revenue and finance income arising from service concession arrangements are recognised by the joint venture based on revenue recognition policy in Note 3.13.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

# Notes to The
# **Financial Statements**
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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)**

*Critical judgements in applying the Group's accounting policies*

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

Control over PTMP

As disclosed in Note 13(e), the Group consolidate PTMP as subsidiary even though the Group has no equity ownership interest in PTMP.

In determining control, the management assessed whether the Group has the ability to direct the relevant activities of PTMP. The management has determined that the Group has the ability to direct the relevant activities of the entity by appointment of key management personnel of PTMP, has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

*Key sources of estimation uncertainty*

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

(a) Revenue recognition of construction contract

The Group recognises contract revenue and profit of a construction contract during the course of construction by reference to the progress towards complete satisfaction at the end of the reporting period. Progress towards complete satisfaction is measured based on input method. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major subcontractors or suppliers involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

As at 31 December 2019, the carrying amounts of contract assets and contract liabilities are disclosed in Note 9 to the consolidated financial statements.

(b) Service concession arrangements

When the joint venture performs more than one performance obligations (i.e. construction and operation services) under a service concession contract or arrangement, the consideration for the services provided under the concession arrangements is allocated to the different performance obligations by reference to their relative fair values. The assumptions used and estimates made in determination of such allocation can affect the profit margin of the performance obligations.

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# **Financial Statements**
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## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

*Key sources of estimation uncertainty (Cont'd)*

(c) Income tax

The Group is subject to income taxes in Singapore, Indonesia and China. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and deductibility of certain expense ("uncertain tax positions") in each jurisdiction. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimate is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amounts of the current tax and deferred tax provision are disclosed in the statement of financial position and Note 20 to the financial statements, respectively.

(d) Impairment of investments in subsidiaries and joint venture

Management has carried out a review of the recoverable amount of the investment in subsidiaries and joint venture, having regard to the existing performance of the relevant subsidiaries and joint venture and the carrying value of the net tangible assets in these investments.

Management has estimated the recoverable amount based on the higher of value in use and fair value less costs of disposal. The fair value less costs of disposal is determined by reference to the estimated realisable values of the net tangible assets of the subsidiaries and joint venture. The carrying amounts of the investment in subsidiaries and joint venture are disclosed in Note 13 and Note 14 to the financial statements, respectively.

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| | | (Restated) | | |
| **Financial assets** | | | | |
| At amortised cost | 8,393,633 | 8,500,328 | 1,974,177 | 21,321 |
| **Financial liabilities** | | | | |
| At amortised cost | 11,586,858 | 8,885,808 | 1,597,382 | 2,197,298 |
| Lease liabilities (2018: Finance leases) | 342,885 | 158,926 | – | – |
| | 11,929,743 | 9,044,734 | 1,597,382 | 2,197,298 |

# Notes to The Financial Statements
31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and the Company do not have any financial instruments which are subjected to offsetting, enforceable master netting arrangements or similar netting agreements.

### (c) *Financial risk management policies and objectives*

The Group's and the Company's overall financial risk management policies and objectives seek to minimise potential adverse effects on the financial performance of the Group and the Company. Management regularly reviews the Group's and the Company's business and operational activities to identify areas of significant business risks, as well as appropriate measures through which to control and mitigate these risks. On an on-going basis, management reviews all significant control policies and procedures, and highlights all significant matters to the Board of Directors. There has been no significant change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

The Group and the Company does not hold or issue derivative financial instrument for speculative purposes. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group's and the Company's foreign currency exposure during the year arises from Euro, Pound Sterling, Singapore dollars and United States Dollar. The Group and the Company does not hedge against foreign exchange exposure as the exposure is managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in the same foreign currencies.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currency other than the respective Group entities' functional currencies are as follows:

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$** | **$** | **$** | **$** |
| | | **(Restated)** | | **(Restated)** |
| Group | | | | |
| Euro | (225,948) | – | – | – |
| Pound Sterling | – | (155,226) | – | – |
| Singapore dollars | (1,060,677) | (80,862) | 231,432 | – |
| United States dollars | (1,669,848) | (661,712) | 1,511,745 | 65,328 |
| Company | | | | |
| United States dollars | (1,374,522) | (1,812,780) | 11,083 | 11,114 |

# Notes to The
# **Financial Statements**
31 December 2019

**5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)**

***(c) Financial risk management policies and objectives***

(i) Foreign exchange risk management

*Foreign currency sensitivity*

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's and the Company's profit.

If the relevant foreign currency weakens by 5% against the functional currency of each Group entity, the Group's and the Company's profit for the year will increase (decrease) by:

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| | | **(Restated)** |
| Group | | |
| Euro | 11,297 | – |
| Pound Sterling | – | 7,761 |
| Singapore Dollars | 41,462 | 4,043 |
| United States Dollars | 7,905 | 29,819 |
| Company | | |
| United States Dollars | 68,172 | 90,083 |

If the relevant foreign currency strengthens by 5% there would be an equal and opposite impact on the Group's and the Company's profit or loss shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk management

The Group's and the Company's exposure to interest rate risk are restricted to their interest bearing bank balances and deposits, lease liabilities and borrowings as disclosed in Notes 7, 12 and 17 to the consolidated financial statements respectively.

No interest rate sensitivity was performed since the Group's and the Company's exposure to interest rate on their variable rate borrowing is not significant.

# Notes to The
# **Financial Statements**

31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (Cont'd)*

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group minimises its credit risk via the following:

- For credit risk from customers, the Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

- For other financial assets (such as cash and cash equivalents), the Group only deals exclusively with high credit rating counterparties such as such as reputable financial institutions.

The Group's current credit risk framework comprises the following categories:

| Category | Description | Basis for recognising ECL |
|---|---|---|
| Performing | The counterparty has a low risk of default. | 12-month ECL |
| Doubtful | Amount is > 30 days past due* or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL - not credit impaired |
| In default | Amount is > 90 days past due* or there is evidence indicating the asset is credit-impaired. | Lifetime ECL - credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. | Amount is written off |

* Except for specific cases where management has assessed that the amount is still fully recoverable.

For trade receivables and contract assets, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Credit risk concentration profile

As at 31 December 2019, 73% (2018 : 71%) of the Group's revenue are derived from 1 customer in Singapore (2018 : 2 customers in Singapore and Indonesia), which represent concentration risk within these geographical locations. There is concentration of credit risk as approximately 79% (2018 : 75%) of the Group's trade receivables at the end of the financial year relates to 5 (2018 : 4) customers.

As at 31 December 2019, the Company has an amount due from a subsidiary which accounted for 100% of the Company's other receivables.

The Group and Company place their bank balances with creditworthy financial institutions.

# Notes to The
# **Financial Statements**
31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (Cont'd)*

(iii) Credit risk management (Cont'd)

*Impairment of trade receivables and contract assets*

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate mainly to work completed and not billed, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In determining the ECL, the Group considers the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Accordingly, management is of the opinion that there is no further loss allowances required.

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

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

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix.

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | Not past due | < 30 days | 31-60 days | 61-90 days | > 90 days | Total |
| | $ | $ | $ | $ | $ | $ |
| 2019 | | | | | | |
| Trade receivables | 1,895,405 | 483,218 | 32,507 | 88,466 | 676,682 | 3,176,278 |
| Contract assets | 7,550,680 | – | – | – | – | 7,550,680 |
| Less: Loss allowance | – | – | – | – | – | – |
| Total | 9,446,085 | 483,218 | 32,507 | 88,466 | 676,682 | 10,726,958 |
| 2018 (Restated) | | | | | | |
| Trade receivables | 2,099,952 | 157,567 | 26,159 | 2,815 | 167,558 | 2,454,051 |
| Contract assets | 4,689,508 | – | – | – | – | 4,689,508 |
| Less: Loss allowance | – | – | – | – | – | – |
| Total | 6,789,460 | 157,567 | 26,159 | 2,815 | 167,558 | 7,143,559 |

# Notes to The
# **Financial Statements**

31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (Cont'd)*

(iii) Credit risk management (Cont'd)

*Impairment of trade receivables and contract assets* (Cont'd)

Further details of credit risk on trade receivables and contract assets are disclosed in Notes 8 and 9 to the financial statements.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks. The maximum amount the Group could be forced to settle under financial guarantee contracts, if the full guaranteed amount is claimed by the counterparty to the guarantee is $7,884,637 (2018 : $6,990,874) for guarantees provided to its joint venture (Note 34). Based on expectations at the end of the reporting period, the Group considers that it is remote that any amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty suffer credit losses.

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows.

*Liquidity risk analysis*

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the consolidated statements of financial position.

# Notes to The **Financial Statements**

31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (Cont'd)*

(iv) Liquidity risk management (Cont'd)

*Liquidity risk analysis (Cont'd)*

Non-derivative financial liabilities (Cont'd)

| | Weighted average effective interest rate<br>% | On demand or within 1 year<br>$ | Within 2 to 5 years<br>$ | After 5 years<br>$ | Adjustments<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| 31 December 2019 | | | | | | |
| Non-interest bearing | – | 10,897,314 | – | – | – | 10,897,314 |
| Loan from a director (fixed rate) | 7.2% | 204,406 | – | – | (13,729) | 190,677 |
| Lease liabilities (fixed rate) | 9.11% | 171,288 | 209,847 | – | (38,250) | 342,885 |
| Borrowings (fixed rate) | 6.94% | 276,766 | 260,776 | – | (38,675) | 498,867 |
| Total | | 11,549,774 | 470,623 | – | (90,654) | 11,929,743 |

| | Weighted average effective interest rate<br>% | On demand or within 1 year<br>$ | Within 2 to 5 years<br>$ | After 5 years<br>$ | Adjustments<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| 31 December 2018<br>(Restated) | | | | | | |
| Non-interest bearing | – | 7,456,871 | – | – | – | 7,456,871 |
| Loan from a director (fixed rate) | 7.2% | 93,264 | – | – | (6,264) | 87,000 |
| Finance leases (fixed rate) | 6.2% | 48,248 | 108,675 | 25,293 | (23,290) | 158,926 |
| Borrowings (fixed rate) | 9.2% | 559,550 | 1,023,370 | - | (240,983) | 1,341,937 |
| Total | | 8,157,933 | 1,132,045 | 25,293 | (270,537) | 9,044,734 |

# Notes to The
# **Financial Statements**
31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(c) Financial risk management policies and objectives (Cont'd)*

(iv) Liquidity risk management (Cont'd)

*Liquidity risk analysis (Cont'd)*

Non-derivative financial liabilities (Cont'd)

| | Weighted average effective interest rate<br>% | On demand or within 1 year<br>$ | Within 2 to 5 years<br>$ | After 5 years<br>$ | Adjustments<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Company | | | | | | |
| 31 December 2019 | | | | | | |
| Non-interest bearing | – | 1,597,382 | – | – | – | 1,597,382 |
| Total | | 1,597,382 | – | – | – | 1,597,382 |
| 31 December 2018 | | | | | | |
| Non-interest bearing | – | 2,197,298 | – | – | – | 2,197,298 |
| Total | | 2,197,298 | – | – | – | 2,197,298 |

Non-derivative financial assets

All the financial assets of the Group and the Company in 31 December 2019 and 2018 are repayable on demand or due within one year from the end of the reporting period.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments or they bear interest at rates which approximate the current incremental borrowing rate for similar type of borrowing arrangement. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

# Notes to The
# **Financial Statements**
31 December 2019

## 5 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### *(d) Capital management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the lease liabilities and finance leases (Note 12) and borrowings (Note 17), and equity attributable to owners of the Company, which comprises issued capital, reserves and retained earnings.

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group is in compliance with externally imposed financial covenants requirements.

The Group's and Company's overall strategy remains unchanged from prior year.

## 6 OTHER RELATED PARTY TRANSACTIONS

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

| | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|
| A joint venture | | |
| Sales of goods | (983,754) | (9,575,936) |
| Interest income (Note 25) | – | (21,334) |
| Director | | |
| Interest expense (Note 26) | 37,681 | 2,854 |
| A Director-controlled company | | |
| Rental of warehouse and office | 28,820 | – |

*Compensation of directors and key management personnel*

The remuneration of directors and other members of key management personnel are as follows:

| | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|
| Short-term benefits | 1,063,977 | 841,266 |
| Post-employment benefits | 63,265 | 56,025 |
| Total | 1,127,242 | 897,291 |

# Notes to The Financial Statements

31 December 2019

## 7 CASH AND CASH EQUIVALENTS

| | Group 2019 $ | Group 2018 $ (Restated) | Company 2019 $ | Company 2018 $ |
|---|---|---|---|---|
| Cash on hand | 7,733 | 8,803 | 100 | 100 |
| Cash at banks | 4,004,123 | 1,625,029 | 1,068,777 | 21,221 |
| Fixed deposits | 889,016 | 3,960,396 | – | – |
| Cash and cash equivalents in the consolidated statement of cash flows | 4,900,872 | 5,594,228 | 1,068,877 | 21,321 |

The effective interest rates of the fixed deposits ranged from 6.75% to 7.25% (2018 : 6.25% to 7.75%) per annum and for a tenure of 1 month (2018 : 1 month).

Management considered that the ECL for cash and cash equivalents is insignificant as at 31 December 2019 and 2018.

## 8 TRADE AND OTHER RECEIVABLES

| | Group 2019 $ | Group 2018 $ (Restated) | Company 2019 $ | Company 2018 $ |
|---|---|---|---|---|
| Trade receivables: | | | | |
| - Third parties | 2,682,668 | 1,772,918 | – | – |
| - Joint venture (Note 6) | 36,155 | 452,426 | – | – |
| | 2,718,823 | 2,225,344 | – | – |
| Unbilled revenues [(a)] | 457,455 | 228,707 | – | – |
| Total trade receivables | 3,176,278 | 2,454,051 | – | – |
| Other receivables comprise: | | | | |
| - Amount due from a subsidiary [(b)] | – | – | 905,300 | – |
| - Amount due from a related party (Note 6) | 8,978 | 8,894 | – | – |
| - Amount due from a joint venture (Note 6) | 20,910 | 20,716 | – | – |
| - Grant receivables | 136,215 | 241,488 | – | – |
| - Refundable deposits | 70,740 | 69,811 | – | – |
| - Prepayments | 357,714 | 657,269 | 194,548 | – |
| - Staff loans | 39,752 | 48,370 | – | – |
| - Other tax recoverable | 522,432 | 488,156 | – | – |
| - Deferred listing expenses | 194,548 | – | – | – |
| - Others | 39,888 | 62,770 | – | – |
| Total other receivables | 1,391,177 | 1,597,474 | 1,099,848 | – |
| Total | 4,567,455 | 4,051,525 | 1,099,848 | – |

# Notes to The
# **Financial Statements**
31 December 2019

## 8 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Unbilled revenues are those accrued revenue of which payment certificates are issued by customers but no billings have been raised to customers at the end of the reporting period.

(b) Amount due from a subsidiary is unsecured, interest-free and repayable on demand. The credit period granted to customers is generally 30 days (2018 : 30 days). No interest is charged on the outstanding balances.

These trade and other receivables are not secured by any collateral or credit enhancements.

Majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history. The Group does not hold any collateral over these balances.

The Group applied simplified approach to provide the expected credit losses prescribed by SFRS(I) 9. The impairment methodology is set out in Notes 3.5.1 and 5(c)(iii) respectively.

As part of the Group's credit risk management, the Group assesses the impairment for its customers based on different group of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Details of the credit risk assessment are included in Note 5(c)(iii).

Trade receivables past due 90 days are not considered in default as the Group considered such balances could be recovered based on historical experience. Moreover, the management of the Group did not aware of any significant change in credit quality of the trade receivables and the expected credit losses are insignificant.

Management considered that the ECL for trade and other receivables is insignificant as at 31 December 2019 and 2018.

## 9 CONTRACT ASSETS (LIABILITIES)

The following is the analysis of the contract assets and contract liabilities:

| | **Group** | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Contract assets: | | |
| - Construction contracts | 7,550,860 | 4,689,508 |
| Contract liabilities: | | |
| - Construction contracts | (300,308) | (202,854) |
| - Sales of goods | (12,191) | (6,541) |
| Total contract liabilities | (312,499) | (209,395) |
| | 7,238,361 | 4,480,113 |

# Notes to The Financial Statements

31 December 2019

## 9 CONTRACT ASSETS (LIABILITIES) (CONT'D)

Contract assets and contract liabilities arises from the same contract are presented on net basis.

Contract assets:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Unbilled contract works | 6,685,635 | 4,021,901 |
| Retention sum | 865,225 | 667,607 |
| Total | 7,550,860 | 4,689,508 |

Contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on construction contracts in respect of TSEPC.

The changes in contract assets in 31 December 2019 and 31 December 2018 are due to the differences between the agreed payment schedule and the progress of the construction works.

Retention sum is unsecured, interest-free and expected to be received in the normal operating cycle of the Group.

Management considered that the ECL for contract assets is insignificant as at 31 December 2019 and 2018.

Contract liabilities:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Excess of milestone billings over contract works | (86,770) | – |
| Advance from customers | (225,729) | (209,395) |
| Total | (312,499) | (209,395) |

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise when a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method or when the Group has received advance payments from customers.

# Notes to The
# **Financial Statements**
31 December 2019

## 9 CONTRACT ASSETS (LIABILITIES) (CONT'D)

Contract liabilities: (Cont'd)

The Group's revenue recognised that was included in the contract liability balance at the beginning of the period.

| | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|
| Construction contracts | 202,854 | 1,886,599 |
| Trading | 6,541 | 74,553 |
| Total | 209,395 | 1,961,152 |

## 10 INVENTORIES

| | Group | |
|---|---|---|
| | 2019<br>$ | 2018<br>$<br>(Restated) |
| Trading-related inventories | 128,462 | 237,836 |
| Goods-in-transit | 954,311 | – |
| | 1,082,773 | 237,836 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold properties $ | Water treatment facility $ | Renovation $ | Machinery and equipment $ | Office equipment, furniture and fittings $ | Motor vehicles $ | Computers $ | Construction-in-progress $ | Total $ |
|---|---|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | | | |
| At 1 January 2018 | 2,026,141 | – | 216,204 | 34,691 | 229,379 | 363,378 | 53,245 | 1,016,248 | 3,939,286 |
| Additions | – | – | 610 | 1,086 | 12,571 | 79,577 | 2,408 | 127,949 | 224,201 |
| Transfers | – | 1,144,197 | – | – | – | – | – | (1,144,197) | - |
| Exchange differences | (60,115) | (44,560) | (3,115) | 46 | (974) | (5,507) | – | – | (114,225) |
| At 31 December 2018 (Restated) | 1,966,026 | 1,099,637 | 213,699 | 35,823 | 240,976 | 437,448 | 55,653 | – | 4,049,262 |
| Adoption of SFRS(I)16 | – | – | – | – | – | (260,596) | – | – | (260,596) |
| At 1 January 2019 | 1,966,026 | 1,099,637 | 213,699 | 35,823 | 240,976 | 176,852 | 55,653 | – | 3,788,666 |
| Additions | – | 3,393 | – | 25,835 | 31,936 | – | 3,440 | – | 64,604 |
| Disposals | – | – | – | – | – | (57,846) | – | – | (57,846) |
| Disposal of a subsidiary (Note 32) | (1,323,247) | – | (79,249) | – | – | – | – | – | (1,402,496) |
| Exchange differences | 12,353 | 10,362 | (1,877) | (359) | (2,019) | (2,117) | – | – | 16,343 |
| At 31 December 2019 | 655,132 | 1,113,392 | 132,573 | 61,299 | 270,893 | 116,889 | 59,093 | – | 2,409,271 |
| Accumulated depreciation: | | | | | | | | | |
| At 1 January 2018 | 681,783 | – | 112,043 | 11,159 | 134,655 | 124,622 | 20,502 | – | 1,084,764 |
| Depreciation | 89,323 | 7,577 | 24,373 | 6,980 | 38,989 | 62,461 | 9,593 | – | 239,296 |
| Exchange differences | (11,726) | (218) | (529) | 48 | (738) | (2,995) | – | – | (16,158) |
| At 31 December 2018 (Restated) | 759,380 | 7,359 | 135,887 | 18,187 | 172,906 | 184,088 | 30,095 | – | 1,307,902 |
| Adoption of SFRS(I)16 | – | – | – | – | – | (68,423) | – | – | (68,423) |
| At 1 January 2019 | 759,380 | 7,359 | 135,887 | 18,187 | 172,906 | 115,665 | 30,095 | – | 1,239,479 |
| Depreciation | 49,405 | 45,873 | 10,802 | 6,428 | 30,040 | 11,299 | 9,641 | – | 163,488 |
| Disposals | – | – | – | – | – | (57,846) | – | – | (57,846) |
| Disposal of a subsidiary (Note 32) | (309,112) | – | (27,737) | – | – | – | – | – | (336,849) |
| Exchange differences | 2,628 | 69 | (2,423) | (366) | (2,034) | 226 | – | – | (1,900) |
| At 31 December 2019 | 502,301 | 53,301 | 116,529 | 24,249 | 200,912 | 69,344 | 39,736 | – | 1,006,372 |
| Carrying amount: | | | | | | | | | |
| At 31 December 2019 | 152,831 | 1,060,091 | 16,044 | 37,050 | 69,981 | 47,545 | 19,357 | – | 1,402,899 |
| At 1 January 2019 | 1,206,646 | 1,092,278 | 77,812 | 17,636 | 68,070 | 61,187 | 25,558 | – | 2,549,187 |
| At 31 December 2018 (Restated) | 1,206,646 | 1,092,278 | 77,812 | 17,636 | 68,070 | 253,360 | 25,558 | – | 2,741,360 |

# Notes to The
# **Financial Statements**
31 December 2019

## 11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Certain borrowings of the Group (Note 17) are secured by mortgage of leasehold properties of the Group of which the carrying amounts are shown above.

As at 31 December 2018, the carrying amounts of the Group's motor vehicles include assets acquired under finance leases amounting to $191,727. Accordingly, reclassification adjustments have been made to "Rights-of-use assets" with initial adoption of SFRS(I) 16 on 1 January 2019.

Details of the Group's leasehold properties as at the end of reporting period are as follows:

| Held by | Group effective Interest (%) | | Location | Approximate gross floor area | Tenure | Effect from | Usage |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | | | |
| Memiontec Pte Ltd | 100 | 100 | Block 20, Woodlands Link, #04-30/31, Singapore 738733 | 2,938 sq ft | 30 years | 1997 | Office premise |

## 12 LEASES

*From 1 January 2019*

The Group leases several assets including warehouse and office and motor vehicles. The average lease term for warehouse and office is one to three years and the average lease term for motor vehicles is three to seven years.

As at 31 December 2019, the Group made upfront payment in full to secure the right-of-use of leasehold properties with carrying amount of $152,831, presented within "Property, Plant and Equipment" (Note 11).

<u>Right-of-use assets</u>

| Group | Warehouse and office $ | Motor vehicles $ | Total $ |
|---|---|---|---|
| Cost: | | | |
| At 1 January 2019 | 119,399 | 260,596 | 379,995 |
| Addition | 148,013 | 35,203 | 183,216 |
| At 31 December 2019 | 267,412 | 295,799 | 563,211 |
| Accumulated depreciation: | | | |
| At 1 January 2019 | – | 68,423 | 68,423 |
| Depreciation | 99,194 | 50,296 | 149,490 |
| At 31 December 2019 | 99,194 | 118,719 | 217,913 |
| Carrying amount: | | | |
| At 31 December 2019 | 168,218 | 177,080 | 345,298 |
| At 1 January 2019 | 119,399 | 192,173 | 311,572 |

# Notes to The
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## 12 LEASES (CONT'D)

Lease liabilities

| | 2019 |
|---|---|
| | $ |
| Amounts due for settlement within 12 months (shown under current liabilities) | 150,412 |
| Amounts due for settlement after 12 months | 192,473 |
| | 342,885 |
| Maturity analysis: | |
| Within one year | 150,412 |
| In the second to fifth year inclusive | 192,473 |
| Later than five years | – |
| Total | 342,885 |

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Amounts recognised in the consolidated profit or loss and other comprehensive income

| | 2019 |
|---|---|
| | $ |
| Depreciation expense on right-of-use assets | 149,490 |
| Interest expense on lease liabilities (Note 26) | 22,925 |
| Expense relating to short-term leases | 159,577 |

*Before 1 January 2019*

The Group as lessee

Operating leases

| | 2018 |
|---|---|
| | $ |
| Minimum lease payments under operating leases recognised as an expense in the year | 219,043 |

As at 31 December 2018, the Group had outstanding commitments under non-cancellable operating lease, which fall due as follows:

| | 2018 |
|---|---|
| | $ |
| Within one year | 109,584 |
| In the second to fifth year inclusive | 49,477 |
| Total | 159,061 |

# Notes to The **Financial Statements**

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## 12 LEASES (CONT'D)

Operating lease payments represents rentals payable by the Group for warehouse and staff accommodation. The average lease term of the warehouse and staff accommodation ranged from one to three years and rentals are fixed throughout the lease term.

Finance leases

| | Minimum lease payments 2018 $ (Restated) | Present value of minimum lease payments 2018 $ (Restated) |
|---|---|---|
| Amounts payable under finance leases: | | |
| Within one year | 48,248 | 40,071 |
| In the second to fifth year inclusive | 108,675 | 94,287 |
| Later than fifth year | 25,293 | 24,568 |
| Total | 182,216 | 158,926 |
| Less: Future finance charges | (23,290) | NA |
| Present value of lease obligations | 158,926 | 158,926 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | (40,071) |
| Amount due for settlement after 12 months | | 118,855 |

For the financial year ended 31 December 2018, the Group acquired certain of its motor vehicles under finance leases. The maturity of the finance lease was between 2019 to 2025 with an effective interest rate ranging from 5.23% to 9.87% per annum. Interest rates were fixed at the contract date, and thus exposed the Group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. The Group's obligations under finance lease were secured by the leased assets (Note 11) and personal guarantee from a director. As at 31 December 2018, the fair value of the Group's lease obligations approximated their carrying amounts.

The carrying amount of the lease obligation had been reclassified to "Lease liabilities" with initial adoption of SFRS(I) 16 on 1 January 2019.

## 13 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Unquoted equity shares, at cost | 4,467,075 | 5,874,063 |
| Less: Impairment losses | (527,613) | (697,000) |
| Carrying amount | 3,939,462 | 5,177,063 |

# Notes to The
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## 13 INVESTMENT IN SUBSIDIARIES (CONT'D)

Movement in impairment loss:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| At beginning of year | 679,000 | 697,000 |
| Utilisation during the year | (679,000) | – |
| Additions during the year | 527,613 | – |
| At end of year | 527,613 | 697,000 |

For the financial year ended 31 December 2019, impairment loss of $527,613 (2018 : $697,000) was recognised after management completed its assessment of the recoverable amounts of these investments in the foreseeable future by comparing to the carrying amount of net tangible assets in each subsidiary which approximates the fair value less costs of disposal.

**Subsidiaries**

The details of the Group's subsidiaries are as follows:

| Name of subsidiary | Country of incorporation and operation | Principal activities | Effective equity interests of the Group 2019 % | Effective equity interests of the Group 2018 % |
|---|---|---|---|---|
| Memiontec Pte Ltd [(a) (g)] | Singapore | Design, engineering, procurement and turnkey construction of water and waste water treatment and plants; and maintenance and service of water and waste water treatment equipment, system and plants | 100 | 100 |
| M Water Resources International Pte. Ltd. [(a)] | Singapore | Customisation and distribution of modular water and waste water treatment components, equipment and system | 100 | 100 |
| Memiontec Industries Pte. Ltd. [(a)] | Singapore | Building construction; collection, purification and distribution of water (including desalination of water); and investment holding | 100 | 100 |
| PT Memiontec Indonesia [(b) (d)] | Indonesia | Design, engineering, procurement, fabrication, assembly and turnkey construction water and waste water treatment and plants; water management services; and investment holding | 99.4 | 95 |
| PT Memindo Pratama [(b) (e)] | Indonesia | Design, engineering, procurement, fabrication, assembly and turnkey construction water and waste water treatment and plants; water management services; and trading of water treatment components and equipment | 98 | – |
| PT Universal Energy Investment (formerly known as PT MIT Water Technologies) [(b) (f)] | Indonesia | Investment holding | – | 95 |
| MIT Water Technology Chengdu Co Ltd [(c)] | China | Trading of water treatment components and equipment | 100 | 100 |

# Notes to The **Financial Statements**

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## 13 INVESTMENT IN SUBSIDIARIES (CONT'D)

### Subsidiaries (Cont'd)

Notes

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by overseas practice of Deloitte Touche Tohmatsu Limited.

(c) Audited by Baker Tilly China Certified Public Accountants China (Chengdu Branch), an affiliated firm of Baker Tilly International (2018 : Sichuan Zhongfa Certified Public Accountants Co. Ltd., Sichuan, an affiliated firm of HLB International).

(d) The subsidiary was acquired by the Group under common control (Note 35).

(e) Pursuant to a loan agreement dated 22 December 2019 amongst Memiontec Industries Pte. Ltd. ("MIPL"), PTMP, Mr. Tay Kiat Seng ("Mr. Tay") and Ms. Soelistyo Dewi Soegiharto ("Ms. Dewi), MIPL granted a loan of IDR7,030,000,000 (equivalent to $0.67 million) to PTMP (the "Loan") for the purchase and/or subscription of 30% of the shares in PTMI (the "Loan Agreement") effective from 13 February 2019. Mr. Tay and Ms. Dewi have provided an undertaking in the Loan Agreement that (i) for so long as either of them or their respective associates remain a substantial shareholder or director of the Company; or (ii) the restrictions against MIPL holding 100% of PTMP and PTMI are not removed, whichever is the earlier, MIPL shall not submit any written repayment request to PTMP or declare any amounts payable under the Loan Agreement to be immediately due and payable even where there is any event of default. Under the Loan Agreement, MIPL will be entitled to nominate the members of the Board of Directors and the Board of Commissioners of PTMP. The loan will be secured by:

- a pledge of shares given by Ms. Dewi in respect of her 98% shares ("PTMP Shares") in PTMP in favour of MIPL. Ms. Dewi shall not, without the prior consent of MIPL, dispose of or transfer any of her 98% shares in PTMP or create any encumbrances on these shares;
- an option to purchase given by Ms. Dewi in respect of the PTMP Shares in favour of MIPL up to the approved foreign ownership threshold under Indonesia laws and regulations from time to time;
- an assignment of dividends given by PTMP in respect of the PTMI Shares in favour of MIPL;
- a power of attorney to sell shares given by PTMP to MIPL, entitling MIPL to sell the PTMI Shares;
- a pledge of shares given by PTMP in respect of its 30% shares in PTMI ("PTMI Shares") in favour of MIPL. PTMP shall not, without the prior consent of MIPL, dispose of or transfer any of its 30% shares in PTMI or create any encumbrances on these shares;
- an option to purchase given by PTMP in respect of the PTMI Shares in favour of MIPL up to the approved foreign ownership threshold under Indonesia laws and regulations from time to time;
- an assignment of dividends given by Ms. Dewi in respect of the PTMP Shares in favour of MIPL; and
- a power of attorney to sell shares given by Ms. Dewi to MIPL, entitling MIPL to sell the PTMP Shares,

(collectively, "Loan Security Documents" and together with the Loan Agreement, "Combination Agreements").

In addition to the Combination Agreements, Ms. Dewi has also assigned to MIPL all of her rights, titles and interests in and to any (i) excess of liquidation proceeds to be paid by PTMP or its liquidator with respect to the PTMP Shares when PTMP is in the liquidation process; and (ii) any proceeds of capital reduction to be paid by PTMP with respect to the PTMP Shares when PTMP reduces its issued and paid-up capital.

Management has obtained Legal Opinions from Indonesian Legal Counsels. The management is of the view, taking into account the Legal Opinions and subject to the assumptions and qualifications set out therein, that the corporate structure of the Group complies with the prevailing Indonesian laws and regulations and that the Combination Agreements and Undertaking Agreement are legal and enforceable under the prevailing Indonesian laws and regulations.

Pursuant to the Combination Agreements and the Undertaking Agreement, although the Group does not own any of the equity shares of PTMP, the Group assessed that it has established control over PTMP on the basis that the Group has the power to direct the relevant activities of PTMP by appointment of key management personnel of PTMP, has rights to variable returns from its involvement with PTMP through loan extended to PTMP, and has the ability to affect those returns through its power over PTMP. As a result, the Group consolidates 98% of PTMP and 99.4% of PTMI effective from 13 February 2019.

(f) Subsidiary was disposed on 28 May 2019 to a related party, UI Pte. Ltd., for a consideration of $710,000 (Note 32).

(g) In 2018, the subsidiary was acquired by the Group under common control using merger accounting.

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## 14 INVESTMENT IN A JOINT VENTURE

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| | | (Restated) |
| Cost of investment in a joint venture | 1,721,104 | 1,721,104 |
| Accumulated share of profits | 531,530 | 550,640 |
| Exchange difference | (70,976) | (91,520) |
| Carrying amount | 2,181,658 | 2,180,224 |

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

| Name of joint venture | Country of incorporation/ operation | Principal activity | Equity interest held by the Group | |
|---|---|---|---|---|
| | | | 2019 | 2018 |
| | | | % | % |
| Held by PT Memiontec Indonesia | | | | |
| PT Jakpro Memiontec Air ("PT JMA") | Indonesia | Provision of water management service and supply of potable water | 40 | 40 |

The above joint venture is accounted for using the equity method in these consolidated financial statements and is audited by an overseas practice of Deloitte Touche Tohmatsu Limited for sole purpose of inclusion of their financial position and results in the consolidated financial statements of the Group.

On 25 May 2016, PT Memiontec Indonesia entered into a service concession agreement with DKI Jakarta regional-owned enterprise (the "Grantor") to set up a company to undertake the build, own, operate and transfer ("BOOT") of a water treatment plant located in Jakarta, Indonesia. Accordingly, a joint venture, PT JMA, was incorporated in April 2017. Under the terms of the BOOT, the joint venture is responsible to design and construct a water treatment plant and upon completion, the joint venture will operate and maintain the water treatment plant, and sell treated water to the Indonesian municipal authority at an agreed water tariff, subject to revision using agreed basis. The concession period of the agreement is 20 years from commercial operations date, with an option to extend for another 5 years. The water treatment plant commenced its operations in December 2019.

The joint venture receives a right to charge the grantor a fee for the treated water. The joint venture is obligated to produce a minimum amount of treated water and the grantor is obligated to purchase all water output from the joint venture. Therefore, the estimated water output produced by the joint venture is recognised as financial assets arising from service concession arrangement.

The standard rights of the grantor to terminate the BOOT include failure to meet the performance standards and in the event of a material breach of contractual obligations by the joint venture; whereas the standard rights of the joint venture to terminate the contract include failure to make payments under the BOOT and in the event of a material breach of contractual obligations by the grantor.

The joint venture has secured a bank loan for the financing of the construction of the water treatment plant. The loan is secured by a legal mortgage over the water treatment plant and the land on which it is constructed on, and escrow accounts of the joint venture partners. The joint venture partners had also given a commitment to provide continuing financial support to the joint venture if the joint venture is not able to pay its debts when they fall due.

# Notes to The
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### 14 INVESTMENT IN A JOINT VENTURE (CONT'D)

Summarised financial information in respect of PT JMA is set out below.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Current assets | 4,445,389 | 3,129,861 |
| Non-current assets | 10,472,289 | 11,079,577 |
| Current liabilities | (1,042,717) | (1,275,986) |
| Non-current liabilities | (8,420,815) | (7,482,893) |

The above amounts of assets and liabilities include the following:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| Cash and bank balances | 522,820 | 1,539,856 |
| Current financial liabilities (excluding trade and other payables) | (2,390) | (14,459) |
| Non-current financial liabilities (excluding trade and other payables) | (7,884,637) | (7,475,051) |

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| Revenue arising from service concession arrangement: | | |
| - Construction revenue | 609,792 | 12,695,595 |
| - Finance income | 996,888 | 194,830 |
| - Sales of water | 72,806 | – |
| | 1,679,486 | 12,890,425 |
| (Loss) profit for the year, representing total comprehensive income for the year | (47,775) | 1,340,376 |

The above (loss) profit for the year includes the following:

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| Depreciation | 10,338 | 5,172 |
| Interest income | (46,389) | (66,940) |
| Interest expense | 725,059 | 262,407 |
| Income tax expense | 48,800 | 536,225 |

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## 14 INVESTMENT IN A JOINT VENTURE (CONT'D)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in these consolidated financial statements:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Net assets of the joint venture | 5,454,146 | 5,450,559 |
| Proportion of the Group's ownership interest in the joint venture | 40% | 40% |
| Carrying amount of the Group's interest in the joint venture | 2,181,658 | 2,180,224 |

## 15 INTERESTS IN A JOINT OPERATION

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

| Name of joint operation | Country of operation | Principal activity | Participating interest held by the Group | |
|---|---|---|---|---|
| | | | 2019 | 2018 |
| | | | | % |
| Held by PT Memiontec Indonesia | | | | |
| KSO JUP-MIT | Indonesia | Provision of water management services and supply of potable water | 40 | 40 |

The above joint operation is accounted for using the proportionate share of revenue received and bears a proportionate share of the joint operation's expenses in these consolidated financial statements and is audited by an overseas practice of Deloitte Touche Tohmatsu Limited for consolidation of its financial position and results into the consolidated financial statements of the Group.

In 2016, the Group entered into a cooperation agreement with Indonesian state-owned enterprise to form a joint operation to operate and maintain a water treatment plant located in Waduk Pluit, North Jakarta, Indonesia. Under the terms of the cooperation agreement, the Group is obligated to perform an upgrade of the water treatment plant to enable the plant to achieve certain productivity. Such upgrade costs are borne by the Group and recognised as property, plant and equipment (Note 11). Upon completion of such upgrade in 2018, the joint operation commenced its operation and maintenance of the water treatment plant, including sales of treated water from 1 November 2018 for a cooperation contractual agreement of 25 years.

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## 16 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$** | **$** | **$** | **$** |
| | | **(Restated)** | | |
| Trade payables | 5,013,636 | 2,425,980 | – | – |
| Trade accruals | 3,455,235 | 2,781,937 | – | – |
| Total trade payables | 8,468,871 | 5,207,917 | – | – |
| Other payables: | | | | |
| - Amount due to subsidiaries | – | – | 1,484,086 | 2,191,598 |
| - Amount due to directors [(a)] (Note 6) | 1,208,409 | 1,650,778 | – | – |
| - Amount due to related party (Note 6) | 8,528 | 4,398 | – | – |
| - Amount due to joint venture (Note 6) | – | 117,326 | – | – |
| - Accruals | 802,094 | 374,512 | 113,296 | 5,700 |
| - Other tax payable | 188,328 | 88,380 | – | – |
| - Provision for warranty | 55,842 | 51,000 | – | – |
| - Others [(b)] | 600,089 | 188,940 | – | – |
| Total other payables | 2,863,290 | 2,475,334 | 1,597,382 | 2,197,298 |
| Total | 11,332,161 | 7,683,251 | 1,597,382 | 2,197,298 |

(a) The balance includes loan from a director amounting to $190,677 (2018 : $87,000) which is unsecured, bears fixed interest rate of 7.20% (2018 : 7.20%) per annum and repayable on demand.

(b) The balance includes payable professional fees in connection to the listing of the Company amounting to $456,000 (2018 : Nil).

The credit period on purchases is generally from 30 to 60 days (2018 : 30 to 60 days). No interest is charged on the outstanding balances.

# Notes to The
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## 17 BORROWINGS

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Secured: | | |
| Property term loans [(a)] | – | 566,013 |
| Bank loans [(b)] | 498,867 | 775,924 |
| | 498,867 | 1,341,937 |
| Less : Amount due for settlement within 12 months (shown under current liabilities) | (251,285) | (436,987) |
| Amount due for settlement after 12 months | 247,582 | 904,950 |

(a) As at 31 December 2018, the Group's property term loans included:

- Property term loan of $353,745 which bore a fixed interest rate at 11.00% per annum and secured by a legal mortgage over the leasehold property owned by PT Universal Energy Investment (Formerly known as PT MIT Water Technologies) ("PTWT) and two other properties owned by a director. The property term loan was repayable over a period of 10 years commencing from August 2014. The property term loan had been fully settled in September 2019.

- PTWT's property term loan of $212,268 which had been disposed in the current financial year. The property term loan bore a fixed interest rate at 12.50% per annum and secured by a legal mortgage over the leasehold properties of PTWT and a corporate guarantee from a subsidiary of the Group. The property term loan was repayable over a period of 7 years commencing from February 2014.

(b) The bank loans bear fixed interests ranging from 6.25% to 7.12% (2018 : 6.25% to 9.00%) per annum and are repayable in equal monthly instalments over 4 to 5 (2018 : 2 to 5) years. The bank loans are secured by a joint and several guarantees from the directors of the Company in their respective personal capacity.

# Notes to The
# **Financial Statements**
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## 18 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | | | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2018 | Effect of adoption of SFRS(I) 16 | 1 January 2019 | Financing cash flows (i) | New leases liabilities | Disposal of a subsidiary | Unpaid interest | Exchange differences | 31 December 2019 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Lease liabilities (Note 2) | – | 278,325 | 278,325 | (118,820) | 175,926 | – | 7,454 | – | 342,885 |
| Finance leases (Note 2) | 158,926 | (158,926) | – | – | – | – | – | – | – |
| Amount due to directors (Note 16) | 1,650,778 | – | 1,650,778 | (422,072) | – | (57,979) | 37,682 | – | 1,208,409 |
| Borrowings (Note 17) | 1,341,937 | – | 1,341,937 | (675,948) | – | (173,494) | – | 6,372 | 498,867 |
| | 3,151,641 | 119,399 | 3,271,040 | (1,216,840) | 175,926 | (231,473) | 45,136 | 6,372 | 2,050,161 |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | 1 January 2018 | Financing cash flows [i] | New finance leases | Exchange differences | 31 December 2018 |
| | $ | $ | $ | $ | $ |
| | (Restated) | | | | (Restated) |
| Finance leases (Note 12) | 138,755 | (48,028) | 69,500 | (1,301) | 158,926 |
| Amount due to directors (Note 16) | 1,973,870 | (323,092) | – | – | 1,650,778 |
| Borrowings (Note 17) | 2,032,973 | (659,837) | – | (31,199) | 1,341,937 |
| | 4,145,598 | (1,030,957) | 69,500 | (32,500) | 3,151,641 |

[i] The cash flows comprise of the amount of proceeds from borrowing and repayments of borrowings in the consolidated statement of cash flows.

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## 19 RETIREMENT BENEFITS OBLIGATIONS

The amount recognised in the statement of financial position in respect of the Group's defined benefit retirement benefit plan is as follows:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| | | (Restated) |
| Present value of defined benefit obligations (unfunded) | 201,620 | 84,218 |

The Group operates an unfunded defined benefit plan for qualifying employees of its subsidiary in Indonesia in accordance with Indonesian Labour Law No. 13/2003, based on service and last salary. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age and other eligible events (retrenchment, disability and death). No other post-retirement benefits are provided. The subsidiary does not set up fund for this program.

The plan in the Indonesia typically exposes the Group to actuarial risks such as: interest rate risk, longevity risk and salary risk.

- Interest risk - a decrease in the bond interest rate will increase the plan liability.
- Longevity risk - the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- Salary risk - the present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The present value of the defined benefit obligation was carried out by a qualified independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | Valuation at | |
|---|---|---|
| | 2019 | 2018 |
| Discount rate | 8.00% | 9.00% |
| Salary increment rate | 5.00% | 5.00% |
| Mortality rate* | 100% | 100% |
| Disability rate* | 5.00% | 5.00% |
| Resignation rate | 5% per annum until age 55, then decrease to 0% on linear basis up to retirement | 5% per annum until age 60, then decrease to 0% on linear basis up to retirement |

* Based on Table of Mortality in Indonesia.

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# **Financial Statements**
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## 19 RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows.

| | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|
| Profit or loss | | |
| Current service cost | 21,685 | 19,862 |
| Past service cost | 59,511 | – |
| Net interest expense | 7,581 | 5,032 |
| Components of defined benefit costs recognised in profit or loss | 88,777 | 24,894 |
| Other comprehensive income | | |
| Remeasurement of defined benefits liability: | | |
| Actuarial loss from experience adjustment | 8,290 | 11,533 |
| Actuarial (gain) or loss from change in financial assumptions | 13,123 | (14,833) |
| Actuarial loss from change in demographic assumptions | 6,454 | – |
| Tax impact | (6,994) | 825 |
| Components of defined benefit costs recognised in other comprehensive income | 20,873 | (2,475) |
| Total defined benefits costs | 109,650 | 22,419 |

Changes in the present value of the defined benefit obligation are as follows:

| | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|
| Opening balance | 84,218 | 66,145 |
| Current service cost | 21,685 | 19,862 |
| Past service cost | 59,511 | – |
| Interest cost | 7,581 | 5,032 |
| Remeasurement (gains) losses: | | |
| Actuarial loss from experience adjustment | 8,290 | 11,533 |
| Actuarial loss (gain) from change in financial assumptions | 13,123 | (14,833) |
| Actuarial loss from change in demographic assumptions | 6,454 | – |
| Exchange differences | 758 | (3,521) |
| Closing balance | 201,620 | 84,218 |

Significant actuarial assumptions for the determination of the defined obligations are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

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## 19 RETIREMENT BENEFITS OBLIGATIONS (CONT'D)

| | Impact on defined benefits obligations | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Change in discount rate | | |
| Increase by 1% | (13,088) | (9,533) |
| Decrease by 1% | 14,939 | 11,272 |
| Change in expected rate of salary increase | | |
| Increase by 1% | 15,744 | 11,993 |
| Decrease by 1% | (14,021) | (10,247) |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The Group expects to contribute approximately $2,116 (2018 : $1,288) to its defined benefit plan in the subsequent financial year.

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## 20 DEFERRED TAX ASSETS (LIABILITIES)

| | Consolidated statement of financial position | | Consolidated statement of profit or loss and other comprehensive income | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$** | **$** | **$** | **$** |
| | | **(Restated)** | | **(Restated)** |
| Deferred tax assets: | | | | |
| Provisions | 9,493 | – | (9,493) | – |
| Retirement benefits obligations | 50,405 | 3,787 | (46,618) | 825 |
| **Deferred tax assets** | 59,898 | 3,787 | | |
| Set off of tax | (25,598) | – | | |
| **Net deferred tax assets** | 34,300 | 3,787 | | |
| Deferred tax liabilities: | | | | |
| Differences in depreciation for tax purposes | (33,992) | (34,462) | (470) | 993 |
| Foreign-sourced interest income | – | (17,672) | (17,672) | 8,141 |
| **Deferred tax liabilities** | (33,992) | (52,134) | | |
| Set off of tax | 25,598 | – | | |
| **Net deferred tax liabilities** | (8,394) | (52,134) | | |
| Deferred tax (credit) expense | | | (74,253) | 9,959 |

*Deferred tax assets not recognised arising from tax losses*

At the end of the reporting period, the Group has tax losses of approximately $710,000 (2018 : $226,000) that are available for offset against future taxable profits of the companies in which the losses arose. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislations of the respective countries in which the companies operate. The tax losses will expire in year 2021 to 2023 (2018 : year 2021 to 2022).

*Unrecognised temporary differences relating to investments in subsidiaries*

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $2,072,000 (2018 : $1,334,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# Notes to The
# **Financial Statements**

31 December 2019

## 21 SHARE CAPITAL

| | Group | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **Number of ordinary shares** | | **$** | **$** |
| | | **(Restated)** | | **(Restated)** |
| Issued and paid up: | | | | |
| At beginning of the year [(a)] | 600 | 100 | 60,354 | 100 |
| Effects arising from Group's restructuring exercise (Note 35) | (500) | 500 | (60,254) | 60,254 |
| Issuance of new ordinary shares | 3,904,462 | – | 3,904,462 | – |
| At end of the year | 3,904,562 | 600 | 3,904,562 | 60,354 |

| | Company | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **Number of ordinary shares** | | **$** | **$** |
| Issued and paid up: | | | | |
| At beginning of the year | 100 | 100 | 100 | 100 |
| Issuance of new ordinary shares | 3,904,462 | – | 3,904,462 | – |
| At end of the year | 3,904,562 | 100 | 3,904,562 | 100 |

(a) The issued share capital as at 1 January 2019 represents the aggregate amount of the share capital of the Company amounting to $100 and PT Memiontec Indonesia amounting to $60,254.

The Company has one class of ordinary share which has no par value, carries one vote per share and a right to dividend income when declared by the Company.

On 19 September 2019, as part of the restructuring exercise on the preparation of the listing of the Company on SGX-ST, the Company issued 3,904,462 ordinary shares for a consideration of $3,904,462 through conversion of the advances from the controlling shareholders which were recorded in "Other reserves" as at 31 December 2018 (Note 23).

## 22 TRANSLATION RESERVE

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's functional and presentation currency, Singapore dollars ("$").

# Notes to The Financial Statements

31 December 2019

## 23 OTHER RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| | | (Restated) | | |
| Capital reserve [(a)] | 1,441,724 | 3,904,462 | – | 3,904,462 |
| Merger reserve [(b)] | (2,404,462) | (2,404,462) | – | – |
| Other reserves [(c)] | 48,819 | – | – | – |
| Advance for subscription of shares [(d)] | 1,046,822 | – | 1,046,822 | – |
| | 132,903 | 1,500,000 | 1,046,822 | 3,904,462 |

(a) For the financial year ended 31 December 2019, this represents capital contribution in certain subsidiaries by a controlling shareholder and an unrelated party.

As part of the restructuring exercise on the preparation for the listing of the Company on SGX-ST, the Company acquired MPL under common control of the controlling shareholders for a consideration of $3,904,462 during the year ended 31 December 2018. The consideration amount were accounted for in other reserves as advances received from the controlling shareholders for the issuance of ordinary shares of the Company as at 31 December 2018. These advances were converted into new ordinary shares of the Company during the year ended 31 December 2019 (Note 21).

(b) This represents the difference between the consideration and the aggregate nominal amounts of the share capital of the entities under common control at the date when these entities were consolidated as part of the restructuring exercise of the Group.

(c) This represents the following items:

- Deemed gain on acquisition of non-controlling interests of $213,093, as a result of the increase in the equity interest of PTMI from 95% to 99.4% in February 2019, subsequent to the Group's restructuring exercise as disclosed in Note 35.

- Loss on disposal of a subsidiary, PTWT, amounting to $164,274 (Note 32).

(d) On 19 February 2020, the advance was converted into 6,502,000 new ordinary shares in the Company.

# Notes to The
# **Financial Statements**
31 December 2019

## 24 REVENUE

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| | | (Restated) |
| **Type of revenue** | | |
| Revenue from TSEPC projects | 19,556,051 | 19,815,151 |
| Revenue from OMS services | 8,361,666 | 2,950,987 |
| Revenue from Trading | 1,221,387 | 1,672,707 |
| Revenue from sales of water | 166,121 | 17,852 |
| Total | 29,305,225 | 24,456,697 |
| **Geographical markets** | | |
| Singapore | 22,933,977 | 9,673,761 |
| Indonesia | 5,987,155 | 14,103,347 |
| China | 384,093 | 679,589 |
| Total | 29,305,225 | 24,456,697 |
| **Timing of revenue recognition** | | |
| At a point in time: | | |
| Revenue from Trading | 1,221,387 | 1,672,707 |
| Revenue from sales of water | 166,121 | 17,852 |
| Over time: | | |
| Revenue from TSEPC projects | 19,556,051 | 19,815,151 |
| Revenue from OMS services | 8,361,666 | 2,950,987 |
| Total | 29,305,225 | 24,456,697 |

The Group derives its revenue from the transfer of goods and service over the time and at a point in time in the following major product line. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8.

Transaction price allocated to remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2019 is $49,073,682. This will be recognised as revenue by reference to percentage of completion, which is expected to complete over the next two to three years. The amount disclosed above does not include any estimated amounts of variable consideration that is constrained.

# Notes to The
# **Financial Statements**
31 December 2019

## 25 OTHER INCOME

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| | | (Restated) |
| Interest income: | | |
| - Banks | 191,663 | 144,600 |
| - Loan to a joint venture (Note 6) | – | 21,334 |
| Grant income from government | 183,832 | 274,074 |
| Foreign exchange gain - net | 188,082 | – |
| Gain on disposal of plant and equipment | 6,172 | – |
| Others | 39,870 | 237,835 |
| Total | 609,619 | 677,843 |

## 26 FINANCE COSTS

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| | | (Restated) |
| Interest expense on: | | |
| - Finance leases | 22,925 | 10,564 |
| - Borrowings | 67,783 | 147,388 |
| - Loan from a director (Note 6) | 37,681 | 2,854 |
| Total | 128,389 | 160,806 |

## 27 OTHER OPERATING EXPENSES

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| | | (Restated) |
| Foreign exchange loss – net | – | 132,014 |
| Listing expenses | 962,662 | – |
| Others | – | 12,498 |
| Total | 962,662 | 144,512 |

# Notes to The
# **Financial Statements**
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## 28 INCOME TAX EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| | | (Restated) |
| Income tax recognised in profit or loss | | |
| Income tax: | | |
| - Current | 316,723 | 725,528 |
| - Over provision in prior years | 9,571 | 10,656 |
| | 326,294 | 736,184 |
| Deferred tax: | | |
| - Current | (26,060) | 4,222 |
| - Over provision in prior years | (41,199) | 4,912 |
| | (67,259) | 9,134 |
| Income tax expense | 259,035 | 745,318 |
| Income tax recognised in other comprehensive income | | |
| Deferred tax: | | |
| - Retirement benefit obligations | (6,994) | 825 |

Income tax for Singapore incorporated companies is calculated at 17% (2018 : 17%) of the estimated assessable income for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# Notes to The
# **Financial Statements**
31 December 2019

## 28 INCOME TAX EXPENSE (CONT'D)

The total expense for the financial year can be reconciled to the accounting profit as follows:

| | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|
| Profit before income tax | 567,107 | 5,464,537 |
| Tax at statutory rate of 17% | 96,408 | 928,971 |
| Effect of different tax rates of companies operating in other jurisdictions | (44,337) | 42,512 |
| Tax effect of expenses that are not deductible in determining taxable profit | 191,937 | 71,301 |
| Tax effect of income that are not taxable in determining taxable profit | (33,568) | (30,125) |
| Tax exemption and incentives | (51,329) | (68,917) |
| Adjustments recognised in the current year in relation to current and deferred tax of prior years | (31,628) | 15,568 |
| Deferred tax assets not recognised | 131,360 | – |
| Utilisation of previously unrecognised tax losses | – | (124,129) |
| Share of results of a joint venture | 3,249 | (91,146) |
| Others | (3,057) | 1,283 |
| Income tax expense | 259,035 | 745,318 |

# Notes to The Financial Statements
31 December 2019

## 29 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ (Restated) |
| Audit fees paid/payable to: | | |
| - Auditors of the Company | 91,000 | 10,000 |
| - Other auditors | 42,874 | 5,208 |
| Non-audit fees paid to auditors of the Company in connection with the listing of the Company (Note A) | 264,208 | – |
| Directors' remuneration | 557,207 | 528,374 |
| Employee benefits expense (including directors' remuneration) (Note B) | 4,872,535 | 4,282,318 |
| Costs of defined contribution plans (included in employee benefit expense) | 325,329 | 291,374 |
| Cost of inventories recognised as expense | 804,879 | 1,650,562 |
| Depreciation of property, plant and equipment (Note 11) | 163,488 | 239,296 |
| Depreciation of rights-of-use assets (Note 12) | 149,490 | – |

Note A : In FY2019, non-audit fees paid to auditors of the Company in connection with the listing of the Company relates to reporting accountant fees of $324,000, out of which $264,208 was expensed off in the profit or loss as transaction costs arising from the listing of the Company (above), whereas the remaining $59,792 was included in deferred listing expenses (Note 8).

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Note B | | |
| Presented in statement of profit or loss and other comprehensive income: | | |
| Cost of sales | 2,882,640 | 2,794,502 |
| General and administrative expenses | 1,989,895 | 1,487,816 |
| Total | 4,872,535 | 4,282,318 |

# Notes to The **Financial Statements**

31 December 2019

## 30 EARNINGS PER SHARE

The calculation of the Earnings Per Share ("EPS") attributable to the owners of the Company is based on the following data:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Profit attributable to owners of the Company | 306,784 | 4,593,249 |
| Weighted average number of ordinary shares for purpose of EPS | 179,610,000 | 179,610,000 |
| EPS – basic and diluted (cents) | 0.2 | 2.6 |

For both 2019 and 2018, the earnings per share had been computed based on the profit attributable to owners of the Company and the Company's enlarged share capital of 179,610,000 shares assuming that sub-division of 3,904,562 shares in the capital of the Company into 179,610,000 shares had been completed as at the end of 2019 and 2018. The sub-division exercise was completed in February 2020.

The diluted earnings per share and basic earnings per share are the same because there is no dilutive share.

## 31 DIVIDENDS

On 19 July 2019, the subsidiary, PTMI declared final dividends of IDR3,098,636 (equivalent to $295) per share amounting to IDR34,085,000,000 (equivalent to $3,244,337) in respect of the financial year ended 31 December 2018 to its then shareholders, being Ms. Soelistyo Dewi Soegiharto ("Ms. Dewi") and Ms. Irawati. The dividends were paid in two tranches on 22 July 2019 and 2 August 2019.

# Notes to The Financial Statements

31 December 2019

## 32 DISPOSAL OF A SUBSIDIARY

On 27 May 2019, pursuant to the Group's restructuring exercise on preparation of the listing of the Company on SGX-ST, the Group entered into a sale agreement with a related party, UI Pte Ltd (the "Acquirer"), to dispose of PTWT. PTWT holds 2 leasehold properties without business activities. The disposal was completed on 27 May 2019. Details of the disposal of PTWT are as follows:

| | 27 May 2019 |
|---|---|
| | $ |
| | (Unaudited) |
| Current assets | |
| Cash and cash equivalents | 13,435 |
| Other receivables | 338,793 |
| Total current assets | 352,228 |
| Non-current assets | |
| Property, plant and equipment | 1,065,647 |
| Total non-current assets | 1,065,647 |
| Current liabilities | |
| Other payables | (665,200) |
| Borrowings | (102,675) |
| Total current liabilities | (767,875) |
| Non-current liabilities | |
| Borrowings | (70,819) |
| Total non-current liabilities | (70,819) |
| **Net assets derecognised** | 579,181 |
| **Consideration received** | |
| Cash | 710,000 |
| Total consideration received | 710,000 |
| **Loss on disposal** | |
| Consideration received | 710,000 |
| Net assets derecognised | (579,181) |
| Non-controlling interests derecognised | 28,959 |
| Cumulative exchange differences in respect of the net assets of the subsidiary on loss of control of subsidiary | (324,052) |
| Loss on disposal - Note 23 (c) | (164,274) |

The loss on disposal of the subsidiary is recorded as part of "Other reserves" in the consolidated statement of changes in equity.

| | |
|---|---|
| **Net cash inflow arising on disposal** | |
| Cash consideration received | 710,000 |
| Cash and cash equivalents disposed of | (13,435) |
| | 696,565 |

# Notes to The
# **Financial Statements**
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## 33 SEGMENT INFORMATION

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the segments of the Group under SFRS(I) 8.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristic, such as long-term average gross margins, and are similar in respect of nature of services and process, type of customers, method of distribution, and if applicable, the nature of the regulatory environment.

The Group's reportable segments under SFRS(I) 8 are therefore as follows:

- TSEPC – provision of total solutions with engineering, procurement and construction services relating to water and waste water management
- OMS – provision of operations, preventative and corrective maintenance services relating to water and waste water management
- Trading – sales and distribution of systems and equipment
- Others – sales of water

Segment revenue represents revenue generated from external and internal customers. Segment results represent the profit earned from each segment after allocating costs directly attributable to a segment as well as those that can be allocated on a reasonable basis. This is the measure reported to the chief operating maker for the purpose of resource allocation and assessment of segment performance.

Assets and liabilities are not allocated by segment as they are not considered critical by the chief operating decision makers in resource allocation and assessment of segment performance.

**Segment revenue**

| | **2019** | **2018** |
|---|---|---|
| | **$** | **$** |
| | | **(Restated)** |
| Revenue – TSEPC | 19,556,051 | 19,815,151 |
| Revenue – OMS | 8,361,666 | 2,950,987 |
| Revenue – Trading | 1,221,387 | 1,672,707 |
| Others | 166,121 | 17,852 |
| Total | 29,305,225 | 24,456,697 |

# Notes to The
# Financial Statements
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## 33 SEGMENT INFORMATION (CONT'D)

**Segment results**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| | | (Restated) |
| Profit from operations: | | |
| – TSEPC | 996,680 | 4,310,019 |
| – OMS | 803,792 | 252,910 |
| – Trading | 190,604 | 697,528 |
| - Others | 64,370 | 5,534 |
| Total | 2,055,446 | 5,265,991 |
| Other income | 609,619 | 677,843 |
| General and administrative expenses | (1,950,459) | (710,129) |
| Share of (loss) profit of a joint venture | (19,110) | 536,150 |
| Finance costs | (128,389) | (160,806) |
| Other operating expenses | – | (144,512) |
| Profit before income tax | 567,107 | 5,464,537 |
| Income tax expense | (259,035) | (745,318) |
| Profit for the year | 308,072 | 4,719,219 |

Geographical segments

The Group's information about the segment revenue by geographical location is detailed below:

| | Revenue | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| | | (Restated) |
| Singapore | 22,933,977 | 9,673,761 |
| Indonesia | 5,987,155 | 14,103,347 |
| China | 384,093 | 679,589 |
| Total | 29,305,225 | 24,456,697 |

# Notes to The **Financial Statements**

31 December 2019

## 33 SEGMENT INFORMATION (CONT'D)

The Group's information about the segment assets by geographical location is detailed below:

| | Non-current assets | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Singapore | 411,806 | 432,711 |
| Indonesia | 1,294,380 | 2,270,508 |
| China | 42,011 | 38,141 |
| Total | 1,748,197 | 2,741,360 |

Major customer information

The Group's revenue derived from customers who individually account for 10% or more of the Group's revenue is detailed below:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | **$** | **$** |
| | | **(Restated)** |
| Customer A | 21,276,943 | 7,863,946 |
| Customer B | – | 9,575,936 |
| | 21,276,943 | 17,439,882 |

## 34 CONTINGENT LIABILITIES

The maximum amount the Group could be forced to settle under financial guarantee contracts, if the full guaranteed amount is claimed by the counterparty to the guarantee is $7,884,637 (2018 : $6,990,874) for guarantees provided to joint venture.

Management has considered and evaluated the fair value of the above financial guarantee contracts to be insignificant as at 31 December 2019 and 2018.

# Notes to The
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## 35 BUSINESS COMBINATION UNDER COMMON CONTROL

During the year, in preparation for the listing of the Company on the SGX-ST, the Group undertook the following restructuring steps:

- On 12 January 2019, PTMP acquired 11,000 shares in PTMI from Ms. Irawati and Ms. Dewi for a consideration of IDR11,000,000,000 (approximately $1.06 million).

- On 13 February 2019, PTMP subscribed for 7,030 new shares in PTMI for a total consideration of IDR7,030,000,000 (approximately $0.67 million). As a result, PTMP holds 18,030 shares, representing 30% of the issued share capital in PTMI.

- On 13 February 2019, MIPL subscribed for 42,070 new shares in PTMI for a total consideration of IDR42,070,000,000 (approximately $4.04 million). As a result, MIPL become the holder of 70% of the issued share capital of PTMI and PTMI was converted to a foreign investment limited liability company.

MIPL, PTMP and PTMI are entities under the common control of a controlling shareholder of the Company. As a result, the acquisition of PTMI is regarded as a business combination under common control. The principles of merger accounting have therefore been applied in accordance with the Group's accounting polices under which the consolidated financial statements have been prepared as if PTMI had been a subsidiary of the Company since the beginning of the period presented in these consolidated financial statements. As a result, the comparative figures of the consolidated financial statements have been restated.

The effects of the consolidation of PTMI on the financial statements of the Group for the year ended 1 January 2018 and 31 December 2018 are disclosed as below.

# Notes to The
# **Financial Statements**
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## 35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONT'D)

Extract of summarised statement of financial position as at 1 January 2018

| | As previously reported $ | Common control adjustments $ | As restated $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 468,152 | 2,693,664 | 3,161,816 |
| Trade and other receivables | 2,530,611 | (454,212) | 2,076,399 |
| Contract assets | 5,111,561 | 651,791 | 5,763,352 |
| Inventories | 271,122 | 9,755 | 280,877 |
| Total current assets | 8,381,446 | 2,900,998 | 11,282,444 |
| **Non-current assets** | | | |
| Other receivables | 834,104 | 2,020,418 | 2,854,522 |
| Property, plant and equipment | 1,729,401 | (1,729,401) | – |
| Investment in subsidiaries | – | – | – |
| Investment in a joint venture | – | 1,735,594 | 1,735,594 |
| Deferred tax assets | – | 4,799 | 4,799 |
| Total non-current assets | 2,563,505 | 2,031,410 | 4,594,915 |
| **Total assets** | 10,944,951 | 4,932,408 | 15,877,359 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6,207,477 | 441,113 | 6,648,590 |
| Contract liabilities | 104,072 | 1,857,080 | 1,961,152 |
| Finance leases | 21,219 | 21,208 | 42,427 |
| Borrowings | 627,298 | 65,288 | 692,586 |
| Income tax payable | 8,859 | 40,139 | 48,998 |
| Total current liabilities | 6,968,925 | 2,424,828 | 9,393,753 |
| **Non-current liabilities** | | | |
| Other payables | 369,967 | (369,967) | – |
| Finance leases | 74,244 | 22,084 | 96,328 |
| Borrowings | 970,420 | 369,967 | 1,340,387 |
| Retirement benefit obligations | – | 66,145 | 66,145 |
| Deferred tax liabilities | 43,000 | – | 43,000 |
| Total non-current liabilities | 1,457,631 | 88,229 | 1,545,860 |
| **Capital, reserves and non-controlling interests** | | | |
| Share capital | 100 | 1,560,254 | 1,560,354 |
| Translation reserve | (304,928) | (119,722) | (424,650) |
| Other reserves | 1,500,000 | (1,500,000) | – |
| Retained earnings | 1,283,469 | 2,357,509 | 3,640,978 |
| Equity attributable to owners of the Company | 2,478,641 | 2,298,041 | 4,776,682 |
| Non-controlling interests | 39,754 | 121,310 | 161,064 |
| Total equity | 2,518,395 | 2,419,351 | 4,937,746 |
| **Total liabilities and equity** | 10,944,951 | 4,932,408 | 15,877,359 |

# Notes to The Financial Statements
31 December 2019

## 35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONT'D)

Extract of summarised statement of financial position as at 31 December 2018

| | As previously reported $ | Common control adjustments $ | As restated $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 885,501 | 4,708,727 | 5,594,228 |
| Trade and other receivables | 6,909,969 | (2,858,444) | 4,051,525 |
| Contract assets | 3,222,818 | 1,466,690 | 4,689,508 |
| Inventories | 237,318 | 518 | 237,836 |
| Total current assets | 11,255,606 | 3,317,491 | 14,573,097 |
| **Non-current assets** | | | |
| Other receivables | 157,741 | (157,741) | – |
| Property, plant and equipment | 1,557,133 | 1,184,227 | 2,741,360 |
| Investment in subsidiaries | – | – | – |
| Investment in a joint venture | – | 2,180,224 | 2,180,224 |
| Deferred tax assets | – | 3,787 | 3,787 |
| Total non-current assets | 1,714,874 | 3,210,497 | 4,925,371 |
| **Total assets** | 12,970,480 | 6,527,988 | 19,498,468 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6,562,124 | 1,121,127 | 7,683,251 |
| Contract liabilities | 107,371 | 102,024 | 209,395 |
| Finance leases | 26,917 | 13,154 | 40,071 |
| Borrowings | 374,561 | 62,426 | 436,987 |
| Income tax payable | 281,503 | 247,787 | 529,290 |
| Total current liabilities | 7,352,476 | 1,546,518 | 8,898,994 |
| **Non-current liabilities** | | | |
| Other payables | 291,320 | (291,320) | – |
| Finance leases | 110,753 | 8,102 | 118,855 |
| Borrowings | 613,631 | 291,319 | 904,950 |
| Retirement benefit obligations | – | 84,218 | 84,218 |
| Deferred tax liabilities | 52,134 | – | 52,134 |
| Total non-current liabilities | 1,067,838 | 92,319 | 1,160,157 |
| **Capital, reserves and non-controlling interests** | | | |
| Share capital | 100 | 60,254 | 60,354 |
| Translation reserve | (339,920) | (294,976) | (634,896) |
| Other reserves | 1,500,000 | – | 1,500,000 |
| Retained earnings | 3,358,027 | 4,878,551 | 8,236,578 |
| Equity attributable to owners of the Company | 4,518,207 | 4,643,829 | 9,162,036 |
| Non-controlling interests | 31,959 | 245,322 | 277,281 |
| Total equity | 4,550,166 | 4,889,151 | 9,439,317 |
| **Total liabilities and equity** | 12,970,480 | 6,527,988 | 19,498,468 |

# Notes to The
# Financial Statements
31 December 2019

## 35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONT'D)

Extract of summarised statement of profit or loss and other comprehensive income for year ended 31 December 2018

| | As previously reported<br>$ | Common control adjustments<br>$ | As restated<br>$ |
|---|---|---|---|
| **Revenue** | 13,986,087 | 10,470,610 | 24,456,697 |
| Cost of sales | (10,853,172) | (6,411,416) | (17,264,588) |
| **Gross profit** | 3,132,915 | 4,059,194 | 7,192,109 |
| Other income | 1,645,211 | (967,368) | 677,843 |
| General and administrative expenses | (2,263,556) | (372,691) | (2,636,247) |
| Share of profit of joint venture | – | 536,150 | 536,150 |
| Finance costs | (157,984) | (2,822) | (160,806) |
| Other operating expenses | (1,125) | (143,387) | (144,512) |
| **Profit before income tax** | 2,355,461 | 3,109,076 | 5,464,537 |
| Income tax expense | (287,134) | (458,184) | (745,318) |
| **Profit for the year, representing total comprehensive income for the year** | 2,068,327 | 2,650,892 | 4,719,219 |
| **Other comprehensive income** | | | |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Remeasurement of defined benefit obligations | – | 2,475 | 2,475 |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange losses on translation of foreign operations | (36,556) | (183,567) | (220,123) |
| **Other comprehensive income for the year, net of tax** | (36,556) | (181,092) | (217,648) |
| **Total comprehensive income for the year** | 2,031,771 | 2,469,800 | 4,501,571 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | 2,074,558 | 2,518,691 | 4,593,249 |
| Non-controlling interests | (6,231) | 132,201 | 125,970 |
| | 2,068,327 | 2,650,892 | 4,719,219 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | 2,039,566 | 2,345,788 | 4,385,354 |
| Non-controlling interests | (7,795) | 124,012 | 116,217 |
| | 2,031,771 | 2,469,800 | 4,501,571 |

# Notes to The **Financial Statements**

31 December 2019

## 35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONT'D)

Extract of summarised consolidated statement of cash flows for year ended 31 December 2018

| | As previously reported | Common control adjustments | As restated |
|---|---|---|---|
| | $ | $ | $ |
| **Operating activities** | | | |
| Profit before income tax | 2,355,461 | 3,109,076 | 5,464,537 |
| Operating cash flows before movements in working capital | 2,701,858 | 2,600,328 | 5,302,186 |
| Net cash from operating activities | 1,397,427 | 2,559,702 | 3,957,129 |
| **Investing activities** | | | |
| Net cash from (used in) investing activities | 185,435 | (340,136) | (154,701) |
| **Financing activities** | | | |
| Net cash used in financing activities | (1,165,354) | (23,555) | (1,188,909) |
| Net increase in cash and cash equivalents | 417,508 | 2,196,011 | 2,613,519 |
| Cash and cash equivalents at beginning of the year | 468,152 | 2,693,664 | 3,161,816 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (159) | (180,948) | (181,107) |
| **Cash and cash equivalents at end of the year** | 885,501 | 4,708,727 | 5,594,228 |

## 36 EVENTS AFTER THE REPORTING PERIOD

(a) On 18 February 2020, the shareholders of the Company approved the sub-division of the existing issued ordinary shares of 3,904,562 into 179,610,000 ordinary shares in the issued capital of the Company.

(b) On 19 February 2020, the advance for the subscription of the Company's shares of $1,046,822 was converted into 6,502,000 new ordinary shares in the issued capital of the Company

(c) On 3 March 2020, the Company has allotted and issued 660,000 new ordinary shares to Zico Capital Pte. Ltd. ("Zico Capital") as part satisfaction of ZICO Capital's management fee as the Sponsor and Issue Manager in connection with the listing of the Company. On the same day, the Company has allotted and issued 33,485,000 new ordinary shares for a consideration of $7.53 million as part of its placement exercise. All newly issued shares will rank pari passu in all respects with the existing issued shares.

(d) On 5 March 2020, 220,257,000 ordinary shares of the Company were admitted to the official list of SGX Catalist.

(e) On 3 April 2020, the Company declared tax exempt (one-tier) final dividend of 0.115 cents per ordinary share amounting to $253,889 in respect of the financial year ended 31 December 2019. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

(f) The COVID-19 pandemic subsequent to the reporting period is expected to impact certain segments of the Group's business. As the situation relating to the spread remains uncertain, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in 2020.

# Statistics of **Shareholdings**

As at 27 March 2020

| | | |
|---|---|---|
| Issued and fully paid-up share capital | : | S$12,634,009 |
| Number of issued shares | : | 220,257,000 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per ordinary share (excluding treasury shares and subsidiary holdings) |
| Number of treasury shares | : | Nil |
| Number of subsidiary holdings held | : | Nil |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 0 | 0.00 | 0 | 0.00 |
| 100 - 1,000 | 13 | 10.83 | 13,000 | 0.01 |
| 1,001 - 10,000 | 23 | 19.17 | 179,100 | 0.08 |
| 10,001 - 1,000,000 | 75 | 62.50 | 14,621,800 | 6.64 |
| 1,000,001 AND ABOVE | 9 | 7.50 | 205,443,100 | 93.27 |
| **TOTAL** | 120 | 100.00 | 220,257,000 | 100.00 |

## SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 27 March 2020, approximately 15.19% of the issued ordinary shares of the Company (**"Shares"**) was held by the public (which also excluded Shares under moratorium) and, therefore, Rule 723 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist is compiled with.

**Substantial Shareholders**

(as recorded in the Company's Register of Substantial Shareholders)

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name of substantial shareholder** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Tay Kiat Seng[(1) (2)] | 118,345,033 | 53.73 | 26,456,554 | 12.01 |
| Soelistyo Dewi Soegiharto[(1)] | 34,808,413 | 15.80 | – | – |
| Unity Strength Pte. Ltd.[(2)] | 26,456,554 | 12.01 | – | – |

**Notes:**

(1) Tay Kiat Seng and Soelistyo Dewi Soegiharto are husband and wife.

(2) Tay Kiat Seng is deemed to be interested in all the Shares held by Unity Strength Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore.

# Statistics of **Shareholdings**

As at 27 March 2020

### TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | TAY KIAT SENG | 118,345,033 | 53.73 |
| 2 | SOELISTYO DEWI SOEGIHARTO | 34,808,413 | 15.80 |
| 3 | UNITY STRENGTH PTE. LTD. | 26,456,554 | 12.01 |
| 4 | YEO KHEE SENG BENNY | 10,000,000 | 4.54 |
| 5 | ROBIN NG ZHI PENG | 7,102,000 | 3.22 |
| 6 | NGEW SEW YANG | 4,451,100 | 2.02 |
| 7 | TAN CHYE KIN | 1,580,000 | 0.72 |
| 8 | TAN THIAM BENG | 1,500,000 | 0.68 |
| 9 | DAVIN NG | 1,200,000 | 0.54 |
| 10 | YONG WEE LOON | 1,000,000 | 0.45 |
| 11 | SZA CHAI TIAN | 935,000 | 0.42 |
| 12 | QUEK BENG WEE (GUO MINGWEI) | 750,000 | 0.34 |
| 13 | ANG AH SOON | 700,000 | 0.32 |
| 14 | ZICO CAPITAL PTE. LTD. | 660,000 | 0.30 |
| 15 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 638,000 | 0.29 |
| 16 | LIM & TAN SECURITIES PTE LTD | 587,000 | 0.27 |
| 17 | LEE TIAN HOCK | 543,000 | 0.25 |
| 18 | CHONG HONG KIT | 500,000 | 0.23 |
| 19 | LEE YIA BIA | 450,000 | 0.20 |
| 20 | LEE KIAM LENG DESMOND (LI JIANLONG DESMOND) | 445,000 | 0.20 |
| | **TOTAL** | **212,651,100** | **96.53** |

# Additional Information on **Directors Seeking Re-election**

Mr Tay Kiat Seng, Mr Low Kian Beng, Mr Jackson Chevalier Yap Kit Siong, Mr Chua Kern, Mr Hor Siew Fu and Mr Lee Dah Khang are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company ("**AGM**") (collectively, the "**Retiring Directors**" and each, a "**Retiring Director**").

Pursuant to Rule 720(5) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules:

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Date of first appointment | 6 March 2013 | 30 December 2019 | 30 December 2019 | 30 December 2019 | 30 December 2019 | 30 December 2019 |
| Date of last re-appointment (if applicable) | NA | NA | NA | NA | NA | NA |
| Age | 57 | 63 | 68 | 48 | 68 | 48 |
| Country of principal residence | Singapore | Singapore | Singapore | Singapore | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The re-election of Tay Kiat Seng as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation in compliance with the Company's Constitution, and after taking into consideration Tay Kiat Seng's qualification, skills, expertise, past experience and overall contribution since he was appointed as a Director of the Company. | The re-election of Low Kian Beng as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation in compliance with the Company's Constitution, and after taking into consideration Low Kian Beng's qualification, skills, expertise, past experience and overall contribution since he was appointed as a Director of the Company. | The re-election of Jackson Chevalier Yap Kit Siong as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation in compliance with the Company's Constitution, and after taking into consideration Jackson Chevalier Yap Kit Siong's qualification, skills, expertise, past experience and overall contribution since he was appointed as a Director of the Company. | The re-election of Chua Kern as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation in compliance with the Company's Constitution, and after taking into consideration Chua Kern's qualification, skills, expertise, past experience and overall contribution since he was appointed as a Director of the Company. | The re-election of Hor Siew Fu as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation in compliance with the Company's Constitution, and after taking into consideration Hor Siew Fu's qualification, skills, expertise, past experience and overall contribution since he was appointed as a Director of the Company. | The re-election of Lee Dah Khang as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation in compliance with the Company's Constitution, and after taking into consideration Lee Dah Khang's qualification, skills, expertise, past experience and overall contribution since he was appointed as a Director of the Company. |

# Additional Information on **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Whether appointment is executive, and if so, the area of responsibility | Executive<br><br>Responsible for overseeing the Group'sbusiness performance and direction, as well as formulating, developing and overseeing the execution of business strategies for growth and expansion | Executive<br><br>Responsible for strategic and business development to grow the Group regionally; strengthening and improving the operational efficiency of the Group for cost competitiveness; as well as laying the foundation for the Group to achieve sustainable growth with appropriate governance | Non-Executive | Non-Executive | Non-Executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Chairman and Chief Executive Officer, and a member of the Nominating Committee | Executive Director | Lead Independent Director, Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee | Independent Director, Chairman of the Nominating Committee, and a member of the Audit Committee and the Remuneration Committee | Independent Director, Chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration Committee | Independent Director, and a member of the Audit Committee and the Remuneration Committee |

# Additional Information on **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Professional qualifications | Bachelor of Engineering in Mechanical Engineering, University of Strathclyde, United Kingdom | 1. Bachelor of Science in Engineering, Imperial College of Science and Technology, University of London<br>2. Master of Business Administration, Oklahoma City University | 1. Bachelor of Engineering (Chemical and Materials), Auckland University<br>2. Fellow of the Singapore Institute of Directors | 1. Bachelor of Laws, University of Bristol, United Kingdom<br>2. Diploma in Singapore Law, National University of Singapore<br>3. Member of the Law Society of Singapore<br>4. Member of the Singapore Academy of Law | 1. Bachelor of Accountancy, University of Singapore<br>2. Master of Business Administration, Macquarie University<br>3. Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants<br>4. Fellow of the Association of Chartered Certified Accountants of United Kingdom<br>5. Professional (Life) Member of the Singapore Human Resources Institute | 1. Bachelor of Accountancy, Nanyang Technological University<br>2. Practising Management Consultant of the Singapore Business Advisors & Consultants Council<br>3. Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants<br>4. Certified Internal Auditor of the Institute of Internal Auditors |

# Additional Information on **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Working experience and occupation(s) during the past 10 years | 2010 to Current:<br>Memiontec Pte Ltd<br>- Director<br><br>March 2013 to Current:<br>Memiontec Holdings Ltd.<br>- Chairman and CEO | April 2006 to May 2010:<br>Envipure Pte Ltd<br>- Managing Director and CEO<br><br>June 2010 to April 2017:<br>ecoWise Holdings Limited<br>- Deputy CEO<br><br>January 2011 to February 2017:<br>ecoWise Holdings Limited<br>- Executive Director<br><br>June 2017 to December 2019:<br>Memiontec Pte Ltd<br>- Executive Director (functional title)<br><br>30 December 2019 to Current:<br>Memiontec Holdings Ltd.<br>- Executive Director | October 1997 to April 2014:<br>United Engineers Limited<br>- Chief Operating Officer (since October 1997 till February 2001)<br>- Group Managing Director and CEO (since February 2001 till January 2014)<br>- Senior Advisor (since January 2014 till April 2014) | August 2005 to Current:<br>Chancery Law Corporation<br>- Director | January 2007 to September 2013:<br>CosmoSteel Holdings Limited<br>- CFO<br><br>May 2014 to February 2016:<br>Albedo Limited<br>- CFO | June 2004 to Current:<br>DK & Co<br>- Sole proprietor<br><br>October 2005 to Current:<br>Yang Lee Consulting Pte Ltd<br>- Director |
| Shareholding interest in the listed issuer and its subsidiaries | As at 27 March 2020<br>Direct Interest –118,345,033 shares in the Company<br><br>Deemed Interest – 26,456,554 shares in the Company | NIL | NIL | NIL | NIL | As at 27 March 2020<br>Direct Interest – 22,000 shares in the Company |

# Additional Information on **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Tay Kiat Seng holds the following shares in the Company as at 27 March 2020:<br>1. Direct Interest –118,345,033 shares<br>2. Deemed Interest – 26,456,554 shares<br><br>Tay Kiat Seng is the spouse of Soelistyo Dewi Soegiharto (Managing Director of the Company).<br><br>Tay Kiat Seng is a director and a controlling shareholder of Unity Strength Pte. Ltd., a substantial shareholder of the Company.<br><br>Tay Kiat Seng sits on the boards of the following subsidiaries of the Company:<br>1. Memiontec Pte Ltd;<br>2. M Water Resources International Pte. Ltd.;<br>3. Memiontec Industries Pte. Ltd.;<br>4. PT Memiontec Indonesia; and<br>5. MIT Water Technology Co. Ltd. | Low Kian Beng is a shareholder (holding less than 20% interests) of Unity Strength Pte. Ltd., a substantial shareholder of the Company. | NIL | NIL | NIL | Lee Dah Khang holds 22,000 shares in the Company as at 27 March 2020. |

# Additional Information on
# **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Conflict of Interest (including any competing business) | Please refer to the section entitled “Interested Person Transactions” of the Offer Document dated 21 February 2020 in relation to the Company’s listing on Catalist. | No | No | No | No | No |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes | Yes | Yes | Yes |
| Other Principal Commitments* Including Directorships#<br>* “Principal Commitments” has the same meaning as defined in the Code.<br># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8) | | | | | | |

# Additional Information on **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Past (for the last 5 years) | Directorship<br>1. Memiontec (Wuxi) Co., Ltd<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. ecoWise Holdings Limited<br>2. Bee Joo Industries Pte. Ltd.<br>3. Bee Joo Environmental Pte. Ltd.<br>4. Ecowise International Pte. Ltd.<br>5. Ecowise Resources Pte. Ltd.<br>6. Ecowise Marina Power Pte. Ltd.<br>7. Ecowise Rubbertech Pte. Ltd.<br>8. Ecowise Solutions Pte. Ltd.<br>9. Ecowise Ventures Pte. Ltd.<br>10. Ecowise Technologists and Engineers Pte. Ltd.<br>11. Ecowise New Energy Pte. Ltd.<br>12. Ecowise Materials Pte. Ltd.<br>13. Sunrich Resources Sdn. Bhd.<br>14. Sunrich Marketing Sdn. Bhd.<br>15. Sunrich Integrated Sdn. Bhd.<br>16. Autoways Industries Sdn. Bhd.<br>17. Ecogreen Products and Services Sdn. Bhd.<br>18. Winner Suntex Sdn. Bhd.<br>19. Sun Rubber Industry Sdn. Bhd.<br>20. Trakar Suntex Sdn. Bhd.<br>21. Sunrich Global Marketing Sdn. Bhd.<br>22. Sunrich Tyre and Auto Products Sdn. Bhd.<br>23. Gulf Rubber (M) Sdn. Bhd.<br>24. Saiko Rubber (Malaysia) Sdn. Bhd.<br>25. Gulf Rubber Suntex Sdn. Bhd.<br>26. Sun Tyre Industries Sdn. Bhd.<br>27. Chongqing ecoWise Investment Management Co., Ltd.<br>28. Wuhan ecoWise Energy Co., Ltd.<br>29. Changyi Enersave Biomass to Energy Co., Ltd.<br>30. Geocycle Singapore Pte. Ltd.<br>31. Hivern Investments Pte Ltd<br>32. ecoWise Energy Pte. Ltd.<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. Greatearth Pte. Ltd.<br>2. PT United Engineers Indonesia<br>3. NJCapital Sdn Bhd<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. GS Holdings Limited<br>2. Sim Leisure Group Pte. Ltd.<br>3. Lion Trust (Singapore) Limited<br>4. Liontrust Corporate Services Pte. Ltd.<br><br>Other Principal Commitment<br>Nil | Directorship<br>1. Sandav Business Solutions Pte Ltd<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. GS Holdings Limited<br>2. Orion Management Consulting Pte. Ltd.<br>3. Pteris Global Limited<br>4. Shinvest Holding Ltd<br><br>Other Principal Commitment<br>Nil |

# Additional Information on
# **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Present | Directorships<br>1. Memiontec Pte Ltd<br>2. M Water Resources International Pte. Ltd.<br>3. Memiontec Industries Pte. Ltd.<br>4. MIT Water Technology Co. Ltd<br>5. PT Memiontec Indonesia<br>6. PT Universal Energy Investment<br>7. UI Pte. Ltd.<br>8. Unity Strength Pte. Ltd.<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. Medi.Kind International Private Limited<br>2. Miclyn Express Offshore Pte. Ltd.<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. Apex Healthcare Berhad<br>2. Leafydom Limited<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. Chancery Corporate Solutions Private Limited<br>2. Chancery Law Corporation<br>3. Lion Group Holdings Private Limited<br>4. Providence Presbyterian Church Ltd.<br>5. TLV Holdings Limited<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. Plastoform Holdings Limited<br>2. Cosmosteel Holdings Limited<br>3. Edition Ltd<br>4. Q Industries & Trade Pte Ltd<br><br>Other Principal Commitment<br>Nil | Directorships<br>1. LY Corporation Limited<br>2. Orion BPO Pte Ltd<br>3. Orion Information Systems Pte Ltd<br>4. Acumen Consultants Pte Ltd<br>5. Yang Lee Consulting Pte. Ltd.<br><br>Other Principal Commitment<br>Nil |

# Additional Information on **Directors Seeking Re-election**

| NAME OF DIRECTOR | MR TAY KIAT SENG | MR LOW KIAN BENG | MR JACKSON CHEVALIER YAP KIT SIONG | MR CHUA KERN | MR HOR SIEW FU | MR LEE DAH KHANG |
|---|---|---|---|---|---|---|
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | | | | | |
| a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No | No | No | No |
| b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No | No | No | No |
| c) Whether there is any unsatisfied judgment against him? | No | No | No | No | No | No |
| d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No | No | No | No |
| e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No | No | No | No |
| f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No | No | No | No |

# Additional Information on **Directors Seeking Re-election**

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

# Proposed **Resolutions**

For forthcoming Annual General Meeting of Memiontec Holding Ltd.

As announced by Memiontec Holdings Ltd. (the "**Company**") on 8 April 2020, the Annual General Meeting ("**AGM**") of the Company for the financial year ended 31 December 2019 ("**FY2019**") has been postponed and will be convened on or before 29 June 2020. Accordingly, this Annual Report is not accompanied by the Notice of AGM and the Proxy Form. The Notice of AGM, together with the Proxy Form and any relevant supporting documents, will be sent to shareholders of the Company at a later date. Shareholders are advised to refer to further announcement(s) to be made by the Company via SGXNet.

Following are the proposed resolutions to be voted/passed at the AGM of the Company for FY2019.

**AS ORDINARY BUSINESS**

**Ordinary Resolution 1**
To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Directors' Statement and the Auditor's Report thereon.

**Ordinary Resolution 2**
To declare and approve the payment of a tax exempt (one-tier) final cash dividend of S$0.00115 per ordinary share in the capital of the Company for the financial year ended 31 December 2019.

**Ordinary Resolutions 3 to 8**
To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company and who, being eligible, offer themselves for re-election, as a Director of the Company:

| | |
|---|---|
| Mr Tay Kiat Seng (Retiring under Regulation 96) | **(Resolution 3)** |
| Mr Low Kian Beng (Retiring under Regulation 100) | **(Resolution 4)** |
| Mr Jackson Chevalier Yap Kit Siong (Retiring under Regulation 100) | **(Resolution 5)** |
| Mr Chua Kern (Retiring under Regulation 100) | **(Resolution 6)** |
| Mr Hor Siew Fu (Retiring under Regulation 100) | **(Resolution 7)** |
| Mr Lee Dah Khang (Retiring under Regulation 100) | **(Resolution 8)** |

[See Explanatory Note (i)]

**Ordinary Resolution 9**
To approve the payment of Directors' fees of up to S$190,000 (FY2019: nil) for the financial year ending 31 December 2020, to be paid half yearly in arrears.

**Ordinary Resolution 10**
To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

**AS SPECIAL BUSINESS**

**Ordinary Resolution 11**

**Authority to allot and issue shares**

"That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore ("**Companies Act**"), the Constitution and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be and are hereby authorised and empowered to:

(a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,
(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a *pro-rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments shall be based on the number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-

(i) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(ii) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares.

Adjustments in accordance with sub-paragraph (2)(i) or sub-paragraph (2)(ii) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provision of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST), all applicable legal requirements under the Companies Act and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force until: (i) the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments."

[See Explanatory Note (ii)]

**Ordinary Resolution 12**

**Authority to offer and grant awards and allot and issue shares under the Memiontec Performance Share Plan**

"That, pursuant to Section 161 of the Companies Act, the Directors of the Company be and are hereby authorised and empowered to offer and grant awards ("**Awards**") in accordance with the provisions of the Memiontec Performance Share Plan (the "**PSP**") and to allot and issue from time to time such number of fully paid-up new Shares as may be required to be allotted and delivered pursuant to the vesting of the Awards granted by the Company under the PSP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares to be issued pursuant to the PSP shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iii)]

# Proposed **Resolutions**

For forthcoming Annual General Meeting of Memiontec Holding Ltd.

**Explanatory Notes:**

(i) Mr Tay Kiat Seng will, upon re-election as a Director of the Company, remain as the Executive Chairman and Chief Executive Officer of the Company, and a member of the Nominating Committee.

Mr Low Kian Beng will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.

Mr Jackson Chevalier Yap Kit Siong will, upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee. Mr Yap will be considered by the Board of Directors of the Company (the "**Board**") to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Chua Kern will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the Nominating Committee, and a member of the Audit Committee and the Remuneration Committee. Mr Chua will be considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Hor Siew Fu will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration Committee. Mr Hor will be considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Lee Dah Khang will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, and a member of the Audit Committee and the Remuneration Committee. Mr Lee will be considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Detailed information on each of the abovementioned Directors of the Company as required pursuant to Rule 720(5) of the Catalist Rules can be found in the Annual Report under the section entitled "Additional Information on Directors Seeking Re-election".

Notwithstanding that Mr Lee Dah Khang currently holds 22,000 Shares of the Company, representing approximately 0.01% of the issued share capital of the Company, Mr Lee Dah Khang has no relationships (including immediate family relationships) with the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

There are no relationships (including immediate family relationships) between each of Mr Jackson Chevalier Yap Kit Siong, Mr Chua Kern and Mr Hor Siew Fu, and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

(ii) The Ordinary Resolution 11 above, if passed, will empower the Directors of the Company from the date of this AGM of the Company until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a *pro-rata* basis to existing shareholders of the Company.

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities or the exercise of share options or the vesting of share awards which were issued and outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(iii) The Ordinary Resolution 12 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares in the Company pursuant to the vesting of the Awards granted by the Company under the PSP up to a number not exceeding in aggregate (for the entire duration of the PSP) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

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CLEAR VISION
*for* Sustainable
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