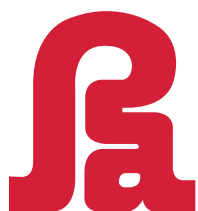




EMBRACING UNCERTAINTY

ANNUAL REPORT

2020



PAN ASIAN HOLDINGS LIMITED
百益勝控股有限公司

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MISSION

To be a leading manufacturer cum representative of world class manufacturer so that we can be a preferred partner to the global industry by ensuring customer satisfaction through providing consistent quality product punctually which shall be achieved by the company continuous, motivating, challenging and rewarding policy to its committed employees.

With the continued success achieved, it will be able to consider to continue to reward its shareholders.



VISION

In 10 years time, PAHL aspires to be an International company with supply success in more than 50 countries and with no less than 25% market share in each segment/country.

To achieve this success, PAHL will in parallel work to ensure its employees' career cum financial being is improved.

CORPORATE PROFILE



Founded in 1979, Pan Asian Holdings Limited ("Pan Asian" or the Company") together with its subsidiaries (the "Group") is a leading supplier of high quality pipe system and equipment for water infrastructure projects in Asia Pacific Region. The Company started as Stockist for water meter, piping and valves for the water, oil and gas sectors.

In 2004, Pan Asian became a public listed company on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Today, besides manufacturing products under the brands that the group licensed, the Group is also the agent for 15 well-known international brands of water solution related products. The product ranges from Smart Water meter solution, High Quality pipe of different materials, Pipe fitting and Accessories, Storage solution, Hydro-Mechanical product, Water & Wastewater treatment related equipment and turnkey solution. These products are hail from US, Japan, UK, Europe and China. In 2018, the Group has also expanded into different sectors such as: Waste to Energy and power plant.

With its headquarters based in Singapore, it is strategically located in Asia. Pan Asian Holdings is well-positioned to expand on its operations to address the evolving needs of its target markets, widening its reach and capabilities to serve as a one-stop provider of integrated system and solutions.

This Annual Report has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange 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. Gillian Goh, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it gives me great pleasure to present to you Pan Asian Holdings Limited's ("PAHL" or the "Group") annual report for the financial year ended 31 December 2020 ("FY2020").

Richard Koh Chye Heng

Executive Chairman

Pan Asian Holdings Limited

NAVIGATING THROUGH COVID-19

The outbreak of the COVID-19 pandemic in FY2020 has caused an unprecedented amount of uncertainty on the global economy and has caused widespread global disruptions. Governments around the world have implemented unprecedented measures such as border closures and nationwide lockdowns to curb the spread of the COVID-19 virus which has had a negative impact on people, businesses and global economies. The Group, like many other businesses, experienced many challenges and disruptions to its operations during this period.

The Group together with our management and all of our employees have managed to recover its dismay during its 1H2020 performance to achieving a commendable result in FY2020. This was achieved through perseverance and resilience at times of difficulty and acting swiftly to capitalise on opportunities to deliver when it arises. We wrapped up the financial year stronger than the first half of FY2020 and have positioned ourselves to recovery as the economic situation gradually stabilises.

YEAR IN REVIEW

Notwithstanding a challenging year of volatile and uncertain economic environment, the Group has achieved a profit before tax of \$0.1 million in FY2020 despite providing allowance for impairment on inventories of \$0.3 million, bad debts and impairment on receivables of \$0.8 million. The Group's net loss after tax is \$0.2 million in FY2020 due to income tax expenses incurred from its profitable subsidiaries.

In the first half of FY2020, operations across our Group were disrupted by COVID-19 measures put in place by Governments of the respective countries we operate in. This caused disruption in delivering existing orders and also obtaining of new sales orders which caused the group to recognised a net loss after tax of \$1.5 million.

We recovered more in the second half of FY2020 when COVID-19 measures eased gradually. As a Group, we managed to deliver our existing orders and secure new business to record revenue of \$22.9 million in FY2020. This was achieved based on our efforts to continuously deliver quality products to our customers and leveraging on our established track records. Financial aids and subsidies from the Singapore government helped defray our manpower costs and together with other cost cutting measures, the Group managed to reverse its loss before tax of \$1.5 million for the first half of FY2020 to a profit before tax position of \$0.1 million for FY2020.

KEY DEVELOPMENTS AND OUTLOOK

During FY2020, the Group disposed its wholly owned subsidiary, Pan Asian Manufacturing (Tianjin) Co. Ltd and wound up its wholly owned subsidiary, W.D. Moore (2013) Pty Ltd. The Group recognised gains of \$0.7 million from the disposal and winding up. This allowed the Group to focus its resources on its core activities.

The Group has also incorporated 1 new subsidiary under Pan Asian Holdings Limited and 1 subsidiary under our joint venture, MUHR Asia Pte Ltd. in Wuhu, China to expand its manufacturing business to position itself to consolidate its operations in China to Wuhu.

In FY2019, we have obtained shareholder's approval to diversify our current core business to include a food and beverage business, including investing and building of a manufacturing plant in Thailand. We have put on hold these plans as we remain cautious on our expansion plans in this new business and to conserve the Group's resources in anticipation of the prolonged COVID-19 pandemic.

Our priority is to deliver our existing order books and projects on hand and to monitor closely the COVID-19 situation and adapt our operations accordingly. We continue to focus on searching for new business opportunities and tendering for projects in Asia in order to expand our order book and grow our existing business in the region.

We continue to mitigate the impact caused by COVID-19 by improving our market competitiveness, strengthening our core products and services to improve our revenue generation while continuing to manage costs prudently, proactively and practically. With recent news on developments in COVID-19 vaccines and vaccination programs implemented worldwide, we are hopeful that the worse of COVID-19 could be over soon. We believe we are in a strong position to overcome the challenges ahead of us and capitalise on opportunities when they arise.

WORDS OF APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our management and staff who have been most committed in contributing towards the Group's success. I would also like to thank our suppliers, business partners and associates, and valued shareholders for their support and faith in the Group over the years even as we ride through the difficult periods. We are confident that the Group can emerge even stronger as we continue to forge on in our cause to create greater value for all our stakeholders.

BOARD OF DIRECTORS

Richard Koh Chye Heng Executive Chairman

Date of appointment: 26 May 2008

Date of last re-appointment: 29 April 2019

Appointed as the Executive Chairman since March 2009, Mr Koh is responsible for the overall management of the Group's operations, as well as the formulating and implementing the Group's business strategies. As the founder and managing director of the Company from 1980 to 1991, Mr Koh was its Chairman from 1991 to 2004. He resigned as a Managing Director in 2004 to pursue other business interests. From 2004 to March 2009, Mr Koh developed and managed a valve manufacturing business in the PRC, Duvalco Valves (Wuxi) co., Ltd, where he is the director.



THOMAS LAM KWONG FAI Lead Independent Director

Date of appointment: 31 October 2017

Date of last re-appointment: 5 June 2020

Mr Lam is a director of various companies engaged in the business of providing corporate finance advisory and compliance advisory in Singapore and the region. He started his career as a regulator before moving into investment banking handling a variety of IPO and other corporate actions. He then moved into Catalist regulation, working with a wide portfolio of listed companies, advising on the listing rules and corporate governance. In his various capacities, he has amassed almost 20 years of experience in the Singapore corporate finance and regulatory scene. Mr Lam obtained a Bachelor of Accountancy from Nanyang Technological University in 2002.

He is also an independent director of China Kunda Technology Holdings Limited, Soon Lian Holdings Ltd and Capital World Limited, all of which are listed on the SGX-ST and D'Nonce Technology Bhd, which is listed on Bursa Malaysia.



WU YU LIANG
Independent Director

Date of appointment: 20 March 2009

Date of last re-appointment: 29 April 2019

Admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986, Mr Wu is currently the Managing Director of Wu LLC, a law corporation in Singapore. He advises on corporate and commercial laws in addition to litigation work. Mr Wu graduated in 1985 from the National University of Singapore with a degree in Bachelor of Laws with Second Class Honours (Upper Division).

He is also an independent director of Jiutian Chemical Group Limited and AusGroup Limited, which are both listed on the SGX-ST.



Lawrence Chen Tse Chau (Chen Shichao)
Independent Director

Date of appointment: 1 April 2021

Date of last re-appointment: Not applicable

Mr Chen is currently serving as directors and audit partners in various companies and partnerships. He has extensive experiences in providing assurance and advisory services to a broad range of clients from traditional trading to digital marketing, crypto currency, Registered Fund Management Company (RFMC), hedge funds and etc. Past and present clients include Singapore Stock Exchange (SGX), New York Stock Exchange (NYSE) and Shanghai Stock Exchange (SSE) listed companies, multinational corporations in Singapore, Malaysia and China. He has also successfully team lead and assisted clients as reporting accountant in Initial Public Offering (IPO) and Reverse Take Over (RTO) on SGX.

He is a Chartered Accountant of Singapore, a fellowship member of Association of Chartered Certified Accountants and a member of the Singapore Institute of Directors (SID).



MANAGEMENT TEAM

CORPORATE OFFICE

Isaiah Yap Chun Hong
Group Financial Controller
Pan Asian Holdings Limited

Isaiah Yap joined the Group in July 2019 and is responsible for all financial matters within the Group including financial reporting, financial planning, treasury, taxation and liaison with financial institutions. He has more than 9 years of auditing experience covering companies listed on the Singapore Stock Exchange and entities across diverse sectors. Prior to joining the Group, Isaiah was an audit manager for a Big 4 Audit Firm for half a year and a Senior Audit Manager for a leading mid-tier Audit Firm for 9 years. Isaiah is a fellow member of the Association of Chartered Certified Accountants and a Chartered Accountant of Singapore.

SINGAPORE OFFICE

Koh Eddie
Managing Director
Duvalco Valves & Fittings Pte Ltd

Mr Koh is responsible for the promotion and sales activities of Duvalco core products of the Company into new markets. Mr Koh has extensive experience in the Group's operations and products. Mr Koh joined the Group in 1991 as the Regional Sales Manager. Over the period of 30 years, Mr Koh has held various key positions in the Group and has been instrumental in its regional expansion. Mr Koh holds a Bachelor of Engineering from the National University of Singapore.

SINGAPORE OFFICE

Kelly Koh Mee Lin
Managing Director
Pan Asian Flow Technology Pte Ltd

Kelly is responsible for the performance and development of the division in the whole of Singapore and Asean countries. She graduated from Seattle University with a degree in International Business and had spent more than 15 years managing the regional sales and marketing department for two large corporations.

SINGAPORE OFFICE

Tan Wei Hong
General Manager
Muhr Asia Pte Ltd

Engineering Manager
Pan Asian Flow Technology Pte Ltd

Mr Tan is responsible for the performance and development of the Muhr Asia in the whole of Singapore and East Asia countries.

He concurrently hold another position as Engineering Manager in Pan Asian Flow Technology Pte Ltd ("PAFT"). In PAFT, he is responsible for Project Management, Engineering related work, Business Development and regional expansion to the ASEAN Region.

Mr Tan holds a Bachelor in Engineering, Environmental (2nd Upper Honours) from Nanyang Technological University. He has 10 years of experience in the water industry, holding Engineering and Project Management position in a large corporation and Multinational Company.

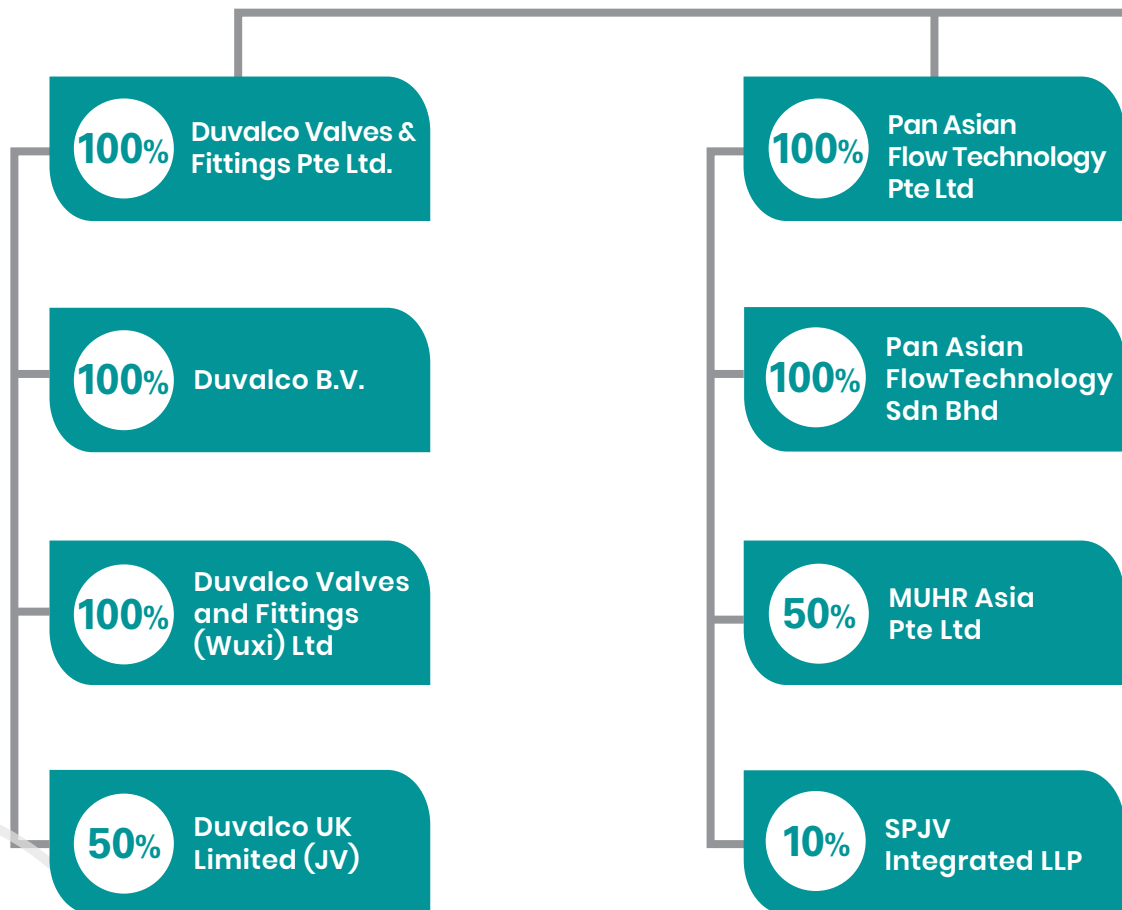
HONG KONG OFFICE

Harvey Kwan Koon Ho
General Manager
Pan Asian Water Solutions (HK) Limited

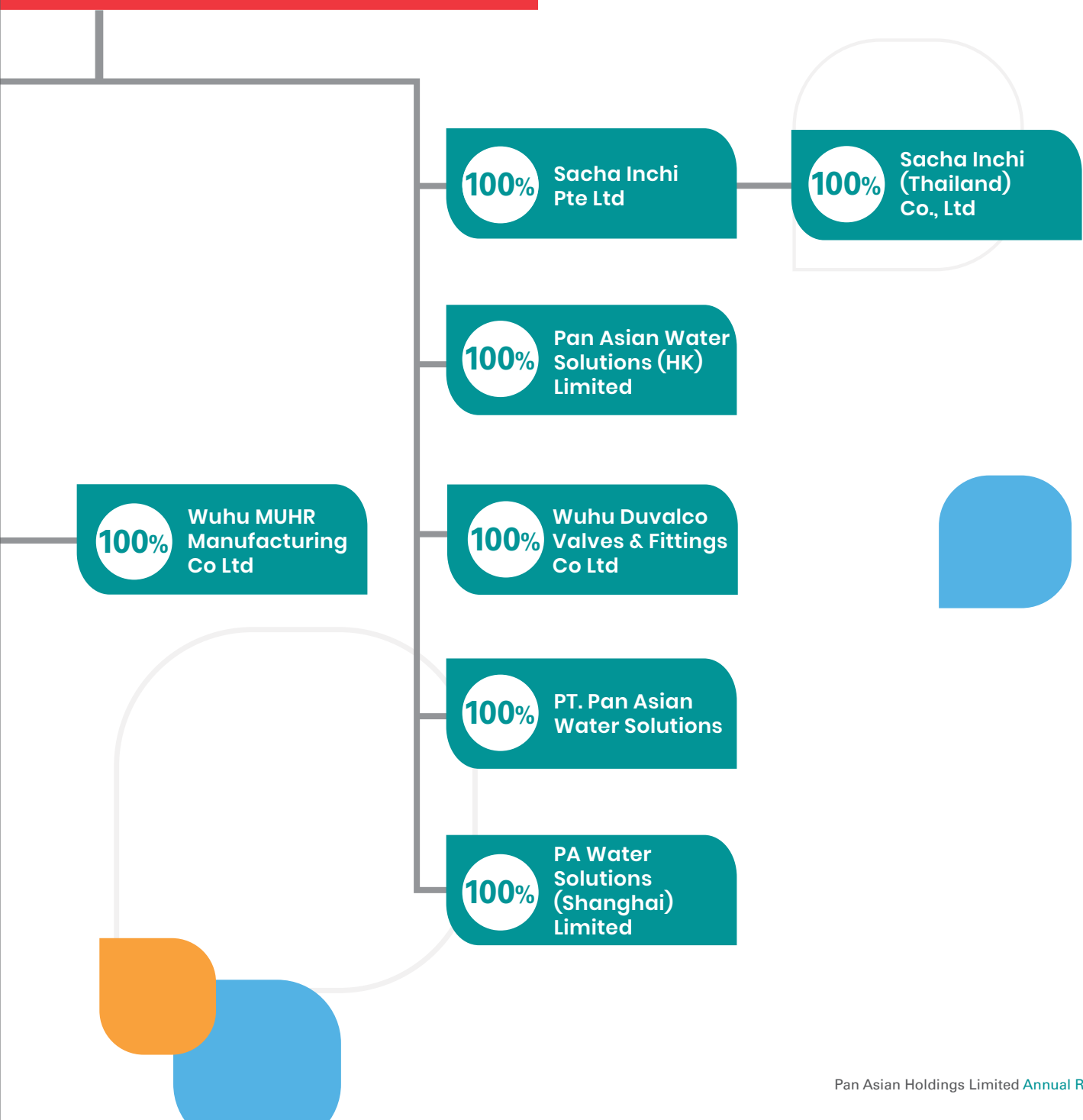
Mr Kwan is responsible for the Pan Asian Water Solutions (HK) Limited's overall sales, marketing and business developments, primarily in the marketing and promotions of our products and services to Hong Kong Water Supply Department, Drainage Supply Department, consultants and contractors. Mr Kwan's responsibilities include develop sales, marketing plans, regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering. Mr Kwan holds a Diploma in Mechanical Engineering awarded by Seneca College, Toronto, Canada and has more than 20 years of experience in the industry.

GROUP STRUCTURE

Pan Asian



Holdings Limited



CORPORATE INFORMATION

BOARD OF DIRECTORS

Richard Koh Chye Heng Executive Chairman
Thomas Lam Kwong Fai Lead Independent Director
Wu Yu Liang Independent Director
Lawrence Chen Tse Chau Independent Director

NOMINATING COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Lawrence Chen Tse Chau

REMUNERATION COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Lawrence Chen Tse Chau

AUDIT COMMITTEE

Thomas Lam Kwong Fai Chairman
Wu Yu Liang
Lawrence Chen Tse Chau

COMPANY SECRETARIES

Low Mei Wan
Lin Moi Heyang

REGISTERED OFFICE

2 Kallang Avenue
#05-18 CT Hub
Singapore 339407

SHARE REGISTRAR

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

AUDITORS

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

AUDIT PARTNER

Yeow Thuan Wee
Effective from financial year ended
31 Dec 2019

SPONSOR

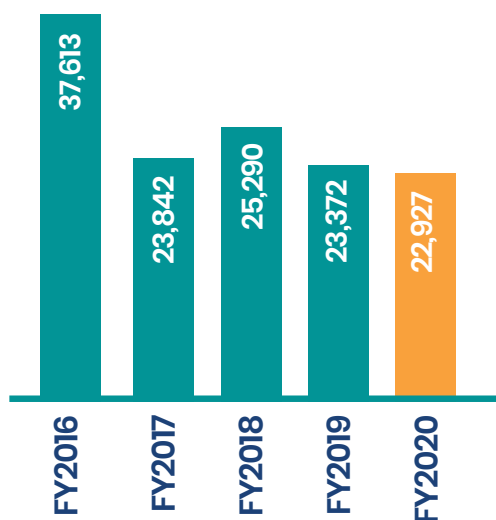
**PrimePartners Corporate
Finance Pte. Ltd.**
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

PRINCIPAL BANKERS

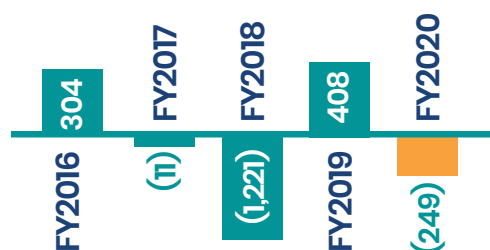
United Overseas Bank Limited
80 Raffles Place
#11-00 UOB Plaza 1
Singapore 048624

FINANCIAL HIGHLIGHTS

REVENUE
(S'000)



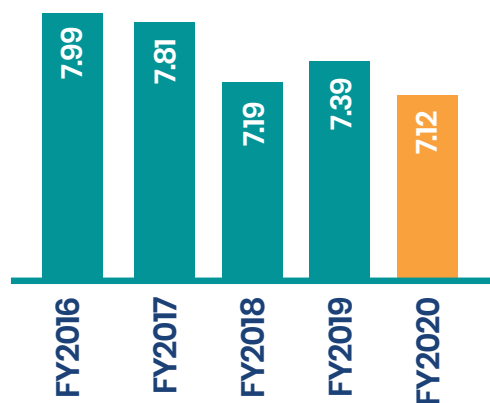
NET PROFIT/(LOSS)
ATTRIBUTABLE TO
SHAREHOLDERS
(S'000)



EARNINGS PER
SHARE
(SINGAPORE CENTS)



NET ASSET VALUE
PER SHARE
(SINGAPORE CENTS)



OPERATIONS & FINANCIAL REVIEW

Financial Review

The Group recorded Net Loss after tax (“NLAT”) of \$249,000 for the financial year ended 31 December 2020 (“FY2020”) due to COVID-19 Circuit Breaker lockdown measures were implemented in Singapore. Despite COVID-19 affecting the market, the Group’s business activities gradually resumed and sales activities began picking up and the Group managed to achieved profit before tax (PBT) of \$0.15 million towards the end of FY2020, recovering from a loss of \$1.5 million registered in the first half of FY2020.

The Group’s recorded revenue of \$22.9 million, a decrease of \$0.4 million in FY2020 was mainly due to lower revenue contribution from entities in Singapore, Holland and China. Singapore and China entities recorded a decrease in revenue of \$0.9 million and \$1.2 million respectively mainly due to restrictions and measures put in place by the Chinese Government during the first half of FY2020 and the relocation of its manufacturing plant to Wuhu. While the Hong Kong entity managed to deliver the demands required by its customers. FY2020 saw an increase in demand for industrial products in Hong Kong.

The Group recorded a decrease in gross profit of \$1.0 million in FY2020. Gross profit margin for FY2020 is 30.2%, a decrease from FY2019 of 33.9%. This was caused by intense competition and higher freight cost due to COVID-19 that caused the gross margin to decline. Other contributing factors to the decline in gross profit margin was due to the COVID-19 pandemic that made it difficult for the Group to secure more orders and projects with a higher gross profit margin as compared to FY2019.

Increase in allowance of \$0.3 million for impairment on inventories and write off was due to slow moving and obsolete inventories identified from the inventory review exercise. Increase in bad debts and allowance for impairment of \$0.8 million on trade receivables that are long overdue and the Group anticipates difficulties in the collection of certain debts as certain of the Group’s customers were adversely affected by the COVID pandemic.

With the uncertain economic situation, management continues to implement tighter cost control measures as well as engage less marketing and distributing activities during the “Circuit Breaker” period. Hence, our marketing and distribution cost and administrative expenses decreased by \$0.1 million and \$0.3 million respectively. There was also one-off recognition of gain on disposal of subsidiaries of \$0.7 million and plant and equipment of \$0.2 million in FY2020.

Financial Position

The Group's total assets increased by \$0.7 million from \$28.3 million in FY2019 to \$29.0 million. The increase of assets was mainly due to increase in property, plant and equipment by \$1.7 million with newly purchased plant and equipment in FY2020 for manufacturing activities.

The increase in trade and other receivables by \$1.3 million were due to major deliveries from Hong Kong entity made in late December 2020. This was offset by inventory balances decreased by \$0.6 million due to management's enforcement of stringent controls over inventory purchases. Also, the decrease in assets held for sale by \$2.2 million is due to completion of disposal of a subsidiary, Pan Asian Manufacturing Tianjin during the year, as well as reclassification of a leasehold property from asset held for sale under SFRS(I) 5 to property, plant, and equipment.

The Group's total liabilities increased by \$1.3 million from \$ 12.4 million in FY2019 to \$13.7 million in FY2020. The increase is largely due to a loan from Enterprise Singapore Temporary Bridging Loan and finance lease for purchases of fixed assets. This is offsetted by the decrease in trade and other payables due to management's increase in efforts to manage cash flows of the Group to avoid any finance cost or late fees for overdue payables.

Increase in contract liabilities relates to higher advance consideration received from customers for projects as compared to FY2019, since the projects have picked up since mid-2020.

Statement of cash flow

The Group has overall recorded a net decrease in cash and cash equivalents of \$0.2 million from \$5.6 million as at 31 December 2019 to \$5.4 million as at 31 December 2020. The net cash outflow is mainly contributed by cash operating activities of \$2.2 million and financing activities of \$0.3 million, offset by cash inflow from investing activities of \$2.3 million.

Operating activities net cash outflow of \$2.2 million is mainly due to a loan to a joint venture for their working capital purposes, as well as decrease in collection from customers.

Financing activities net cash outflow of \$0.3 million is mainly due to repayment of bank borrowings, as well as dividends payment during the year offset by proceeds from borrowings due to loan drawn down from government SME loan.

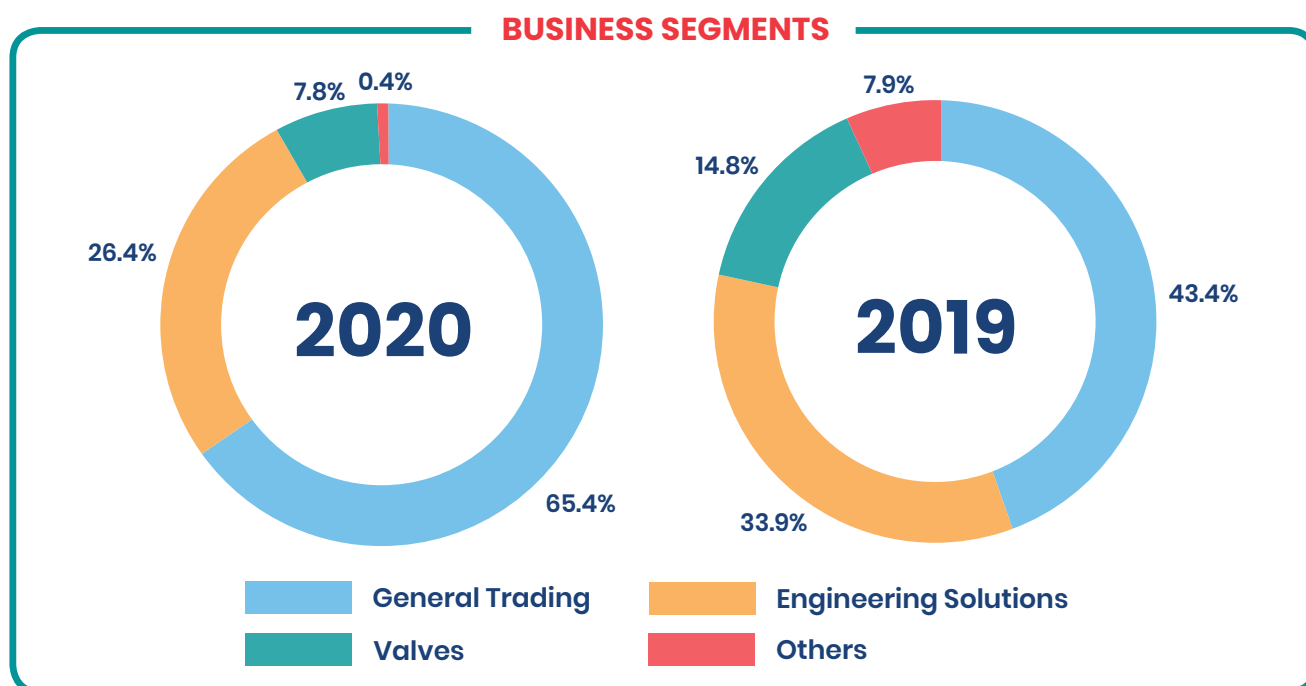
The net cash inflow from investing activities of \$2.3 million was mainly due to cash consideration received from disposal of subsidiaries in FY2020.

Segmental Performance

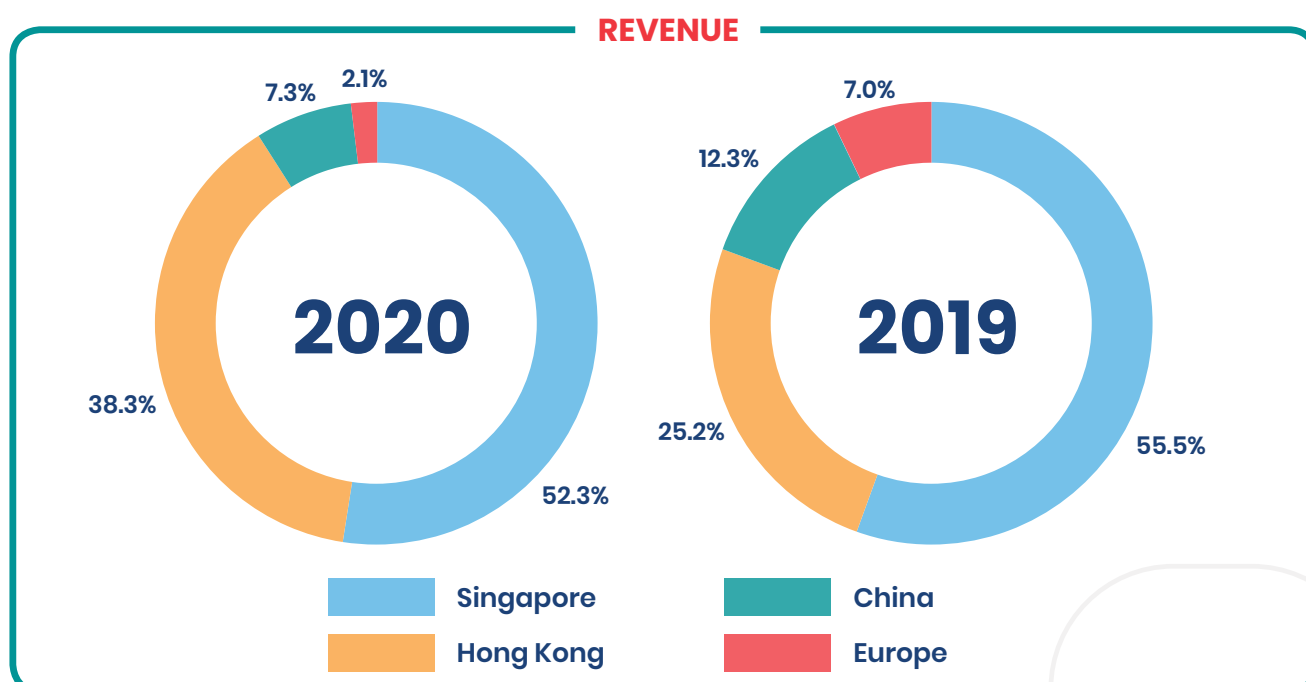
General Trading remained the Group's largest business segment contributing to the Group's total revenue at \$15.0 million, representing 65% of the Group's revenue. It is higher compared to the previous financial year of \$10.1 million, where it had contributed to 43% of Group's revenue in FY2019. The increase in the General Trading segment revenue is due to an increase in contribution from Hong Kong, offset by a decrease in revenue contribution from the Engineering Solutions and Valves Segment.

Engineering Solutions segment registered a decrease in revenue of \$1.9 million, from \$7.9 million in FY2019 to \$6.1 million in FY2020 due to weak demand from the customers.

Valves Segment registered a decrease in revenue of \$1.7 million, from \$3.5 million in FY2019 to \$1.8 million in FY2020 due to its manufacturing activities and in return a decrease in its delivery and recognition of revenue.



Geographically, Singapore contributed the highest revenue to the Group with total sales of \$12.0 million, which worked out to be 52% of Group's revenue. The second largest contributor geographically was Hong Kong that contributed \$8.8 million to the Group's revenue, equivalent to 38% of the Group's revenue.



SUSTAINABILITY REPORT

STATEMENT FROM THE BOARD

The Board of Directors (the “Board”) and management of Pan Asian Holdings Limited (“PAHL”) and our subsidiaries (collectively the “Group”) recognise that the key to achieving a sustainable business lies with good management of its material environmental, social and governance (“ESG”) factors.

The Group is committed to adopting leading sustainable practices that would in return create sustainable value for its shareholders. Management continues to engage in activities that would bring sustainable and long-term economic benefits to the Group.

The Group, together with the Board is proud to present our fourth Sustainability Report (the “Report”) for the financial year ended 31 December 2020 (“FY2020”). The Management has also included occupational health and safety in our assessment of material ESG factors, and have implemented relevant measures for our employees at different locations, including sending employees on safety courses to enhance their knowledge on safety measures at work sites, etc. The Board and the management continue our focus on sustainability as an important factor when making business decisions. The management will be responsible in implementing, monitoring and reporting material ESG performance indicators and issues to the Board. The Board has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

Sincerely,
Board of Directors
Pan Asian Holdings Limited

ABOUT THIS REPORT

Report Methodology

We have prepared this Report with reference to the Sustainability Reporting Guide in Practice Note 7F of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalist (“Catalist Rules”) and the Global Reporting Initiative (“GRI”) Standards Sustainability Reporting Guidelines 2016 – Core Option and its reporting principles.

GRI standards continue to be the sustainability reporting framework of choice as it is internationally recognised and widely adopted, enabling us to provide a broad and comparable disclosure of the ESG performance. The GRI content index can be found on pages 25 to 26 in this Report. We have also made reference to our 2020 Annual Report released on the SGXNET on 2 April 2021 (“Annual Report”).

We have not sought external assurance for the disclosures made in this report and may consider doing so in the future.

Report Scope

This Report covers the sustainability practices and efforts of our Group’s operations in Singapore for FY2020. The section on “Corporate Profile” sets out details of our Group’s businesses and activities.

Report Contact and Feedback

We welcome any feedback as part of continuous improvement to the reporting of our Group’s sustainability efforts and performance. You may reach us at ir@panasian.com.sg.

ABOUT US

Our Supply Chain

At PAHL, our supply chain consists of suppliers from China, Europe, Japan, and Malaysia. We strive to maintain good business relations with our suppliers who are able to meet our quality, environmental, safety and health standards. Our supply chain's operations are guided by International Organization for Standardization ("ISO") standards, with stringent guidelines on the selection and evaluation of suppliers. Evaluation criteria such as quality, cost-effectiveness, track records, reputation and other requirements were formalised in our Group's policies and procedures, communicated to relevant personnel and enforced by the management.

An efficiently structured supply chain network has proven to be an important factor for our continued and sustainable success, allowing us to provide our customers quality goods and services. Quality checks are in place and performed upon receipt of raw materials. We are ISO 9001:2015 certified for our Quality Management System, which serves as a testimony for the components and checks that we have put in place to make sure that our customers are satisfied with our products and services.

Membership of Association

PAHL is also proud to be a part of the esteemed Singapore Water Association ("SWA"). SWA is a collaboration of 260 private sector players registered in Singapore or having a strong presence in Singapore. SWA provides a forum for collaboration and the interaction of ideas and knowledge among member companies. The Group actively participates in these networking and information sessions to be updated with developments in the market and sustainable practices.



OUR APPROACH TO SUSTAINABILITY

Sustainability Approach

Generating sustainable value for our stakeholders is a core philosophy and objective of PAHL. We have designed our corporate strategies using sustainability-centred principles, while making sure that our business decisions are established in line with economic, social and environmental interests of our stakeholders.

Our Board of Directors, senior management, and key stakeholders have actively involved themselves in the establishment, review and monitoring of the Group's sustainability initiatives as well as overseeing the overall direction of the Group's sustainability approach and incorporate sustainability considerations when formulating business strategies. Our senior management assists the Board by implementing and monitoring the performance of our sustainability initiatives as well as preparing periodic reports on material ESG issues to the Board.

Collectively, the Board and senior management regularly engages the Group's key stakeholders to better understand their concerns and expectations in relation to sustainability issues.

Corporate Governance

The Group believes that governance establishes the tone for the organisation, nurturing accountability, transparency, ethical business conduct and maximisation of long-term shareholder value while increasing the value of the company. The Board and the management are dedicated to upholding the highest standards of corporate governance, professional business conduct, integrity and commitment throughout our organisation.

The Group adheres to the principles and guidelines of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "MAS"). The management also makes sure that the Group is updated on other regulations, notices, circulars, and guidelines that may be released by the MAS and the SGX-ST from time to time and seek regulatory guidance where necessary.

The Board oversees the governance and risk management functions and is aware of the need to put in place a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. Internal monitoring and review processes have been established to assess the adequacy and the effectiveness of the Group's internal control systems put in place, including financial, operational, compliance and information technology controls and risk management systems.

The Group has an internal whistle-blowing policy in place which provides an anonymous avenue for our employees to raise in confidence their concerns about possible improprieties, fraudulent activities and malpractices within the Group responsibly, regarding financial, operational or compliance aspects to the Audit Committee ("AC"). The Group is in the midst of updating our whistle-blowing framework, where all parties, not just the employees, may raise concerns about possible corporate improprieties in all matters. We are proud to announce that the AC has not received any reports of malpractices in FY2020 and will strive to maintain this record through the strict upholding of honourable business practices and integrity-centred business decisions.

Stakeholder Engagement

The Group's business operations impact multiple stakeholder groups and we value inputs and comments from our stakeholders. For FY2020, we continue to actively engage our stakeholders informally or formally, to understand their perspectives on our sustainable practices.

Through the engagement, the Sustainability Committee (the "SC"), comprising the Group Finance Manager, Group Financial Controller ("GFC"), Managing director and the General Manager has identified and reassessed the key ESG factors to be included in this Report. The table below depicts our key stakeholder groups, our means of engagement with them, as well as their key concerns.

Stakeholder Group	Engagement activities	Key concerns
Sponsor	<ul style="list-style-type: none"> Meetings, discussions and reporting 	<ul style="list-style-type: none"> Compliance to Catalyst Rules
Employees	<ul style="list-style-type: none"> Employee appraisals Employee trainings 	<ul style="list-style-type: none"> Employee welfare and benefits Personal development
Customers	<ul style="list-style-type: none"> Enquiry and feedback channels Meetings and discussions with customers 	<ul style="list-style-type: none"> Good customer service Pricing advantage
Suppliers	<ul style="list-style-type: none"> Enquiry and feedback channels Meetings and discussions with suppliers 	<ul style="list-style-type: none"> Prompt payments Compliance with terms and conditions of transactions
Shareholders	<ul style="list-style-type: none"> Board meetings, reporting and annual general meetings Annual and interim reports Circulars and news releases to shareholders 	<ul style="list-style-type: none"> Profitability Transparency Timely reporting
Government and Regulators	<ul style="list-style-type: none"> Discussions with government agencies and departments 	<ul style="list-style-type: none"> Compliance with regulations Timely reporting and resolution of issues

Material Topics

We closely monitor our ESG performance against established targets. The senior management reviews ESG performance periodically. Any shortfalls are investigated and efforts are made to achieve the targets. A description of our performance is provided throughout this report in relevant chapters.

After gathering feedback from our internal and external stakeholders, the SC had re-evaluated the relevance of our previously reported material topics and concluded to continuously focus on the following ESG factors that have been deemed to be material in FY2020:



Economic Performance



Occupational Health and Safety



Training and Education

The Group will review and re-evaluate our material topics disclosed on an annual basis to make sure that the selected topics are relevant to our stakeholders and business landscape.

FY2019 MATERIAL TOPICS AND TARGETS SET

Material Topics Highlighted in FY2019	Target sets for FY2020	Progress and Updates
Economic Performance	To remain profitable and to explore new markets or geographic locations to enter into.	The target set for FY2020 was not met in view of the gloomy economic conditions caused by COVID-19 situation.
Occupational Health and Safety	Zero work-related injuries and COVID-19 breaches	The target set for FY2020 was met with the Company concluding that it had no work-related injuries and COVID-19 breaches during the year.
Training and Education	Improving the variety of training courses and increase the average training hours provided per employee	The target set for FY2020 was not met as Circuit Breaker measures as a result of COVID-19 were in place.

ECONOMIC PERFORMANCE

The Group is dedicated to delivering long term economic value to our stakeholders, through sound financial stewardship and maintaining a suitable and sustainable business portfolio. With the effect of the COVID-19 situation, the Group recorded a loss of \$0.2 million in the financial year ended 31 December 2020 ("FY2020") compared to a \$0.4 million net profit in the financial year ended 31 December 2019 ("FY2019"). Gloomy economic conditions and a challenging business environment have become the main obstacles that brought down the Group's performance in FY2020. However, several of the Group's strategies such as cost cutting measures and focusing on the profit generating units have now becoming our main focus points to continuously serving the best to our shareholders, to ensure that we are able to stay afloat in this market condition.

Economic value generated and distributed in FY2019 and FY2020 from our operations are set out in the table below.

	FY2020 (\$'000)	FY2019 (\$'000)
Direct Economic Value Generated (Revenue)	22,927	23,372
Economic value distributed (costs, wages, taxes and etc.)	23,176	22,936
(Loss) / Profit net of tax	(249)	436

For a detailed breakdown of our economic performance, please refer to our Annual Report.

Target for FY2021

As the COVID-19 pandemic continues, the outlook for FY2021 will remain volatile and unpredictable for the Group. However, we will continue to explore new business opportunities and new markets, while improving efficiency and explore cost-cutting measures to streamline our operations and to improve our revenue and margins.

The target for FY2021 will be profitable and to explore new markets or geographic locations to enter into.

The SC and management targets to move into projects and roles that will have a positive environmental impact such as targeting sustainability related projects.

OCCUPATIONAL HEALTH AND SAFETY

At PAHL, the health and safety of our employees are crucial to our success. The Group is committed in making sure that our Occupational Health and Safety (“OHS”) practices including the proactive tracking and monitoring of incidents are performed consistently.

The Group has in place an OHS Management System which covers our office and warehouse. Our OHS Management System is audited by an external consultant and is ISO 45001:2018 certified. Our operations are also bizSAFE certified at the highest Star level by the Singapore Workplace Safety and Health Council.



The Group also has a routine risk assessment exercise which helps us identify, minimise and where possible, eliminate work-related hazards. During this exercise, our risk assessment team headed by our certified engineer review and implement controls for work-related hazards.

In FY2020, our risk assessment exercise has identified the following processes with potential work-related hazards and in response, we have implemented necessary controls to address these work-related hazards:

- Office activities
- Manual handling of materials
- Material transportation
- Loading and unloading
- Forklift operations
- Storage of materials
- Operation of overhead cranes
- Aspects of human health
- Plausible terror threats

On an annual basis, our OHS Committee, comprising management and employees will meet and discuss safety incidences, control effectiveness for identified hazards and any potential hazards.

New employees joining the Group will have to undergo a mandatory safety briefing. An annual safety briefing will also be conducted for the employees to refresh their knowledge of hazards and controls. Employees are also able to report potential hazards to the risk assessment team and OHS Committee without fear of reprisal.

In addition to monthly checks on our first aid boxes, fire extinguishers and our warehouse equipment, fire drills and safety discussions were also conducted to embed a safety culture. Safety posters, banners and signage were put up at various workstations and areas to maintain a healthy level of safety awareness.

Our employees are also provided medical and healthcare benefits which include medical and accidental insurance. The Group is proud to announce that for FY2020, there were no work-related injuries or incidents.

OCCUPATIONAL HEALTH AND SAFETY (CONT'D)

COVID-19 and Employee Well-being

One of the key priorities placed by Pan Asian relates to the health and safety of our employees. Hence, regulations and guidelines issued by relevant authorities are strictly adhered by all our employees at all times. Minimising the incidence of work-related injuries and illness and promoting a safe and healthy work environment leads to positive workplace morale, overall well-being of our employees and ultimately to higher quality products and services. Our SC has a joint management-worker representation ensuring a collaborative approach to health and safety issues. In particular, the Management implemented various measures at our warehouse and office in view of the ongoing COVID-19 situation, including the following:

- Mandatory download of Singapore's use of Safe Entry system for all employees for contact tracing purposes
- Twice-daily temperature checks for employees on site
- Safedistancingrulesenforcedatalltimes, including workplace and meeting room putting advisory page in each and every seating, as well as minimising face-to-face meetings or employee gatherings
- Masks to be worn at all times during working hours
- Staggered working hours and split team team arrangements with different working hours for each department
- Regular reminders on observing personal hygiene and clear guidelines in the event that any employee feels unwell, with a dedicated quarantine area set aside



Risk identification, monitoring and management are also within the purview of the SC's responsibility. The SC identifies and ranks safety hazards and addresses them according to their order of importance.

Target for FY2021

The Group will continue to invest in the occupational safety and health of our workers. We will strive to maintain our record of zero work-related injuries in FY2021.

The SC and management targets to report zero COVID-19 breaches and infection by implementing office and warehouse safety measures such as temperature screenings, social distancing and other regulatory requirements to prevent the spread of the COVID-19 virus.

TRAINING AND EDUCATION

Our employees have always been a key pillar in contributing to the Group's growth and success. The Group takes great effort in providing opportunities for upgrading of skills and training so that our employees will be equipped with relevant skills and knowledge in line with the future direction of the Group.

We provide our employees with opportunities to develop workforce skills and competencies, through participation in trainings and seminars. The Group strives to ensure that our existing and experienced employees are able to adapt to new industry requirements and standards and training costs are borne by the Group.

In FY2020, our employees have undergone training and education in the following areas:

- Management
- Finance
- Engineering
- Safety courses

Details of the total training hours and average training hours based on gender and employee categories are set out in the table below:

Total Training Hours		
	Male	Female
Senior Management	13.5	24
Middle Management	12.5	-
Technical/ Others	181	-
	207	24
Total Employees		
Senior Management	5	1
Middle Management	3	-
Technical/ Others	10	8
	18	9
Average Training Hours		
Senior Management	2.7	24
Middle Management	4.2	-
Technical/ Others	18.1	-
	11.5	2.7

In FY2020, the training programme was significantly disrupted due to COVID-19 where most of the educational and training programmes have been either postponed or cancelled. However, the employees made good use of the communication devices or softwares, such as Microsoft Teams, Zoom, etc to connect and participate in various work-related programme to improve working efficiency during COVID-19 period. While the average training hours fell below the targeted hours, the Group will remain committed to sending our employees for relevant seminars and training courses to improve their abilities in FY2021, in order to ensure that they stay competitive within the industry and as professionals.

TRAINING AND EDUCATION (CONT'D)

The Group views performance reviews seriously as periodic reviews on employee performance acts as a periodic check and guide for employees to understand the Group's requirements and directions. This will further help our employees to align their efforts with the Group's strategy and key success factors.

The annual appraisal process also serves as a two-way communication channel between Management and employees to assist them in identifying skills and opportunities for future growth.

For FY2020, all our employees have taken part in our annual appraisal process.

Target for FY2021

Moving forward, the Group plans to improve the variety of training courses provided to our employees, as well as increasing the average training hours provided per employee. In addition, the Company arranged regular sessions with the Heads of Departments to address the training needs of staff to improve their welfares.

The variety of training course will include job specific training courses, in the form of engineering and finance related courses and non-job specific training courses will include leadership training, soft skills training in IT related courses and other knowledge training courses. With the aid of the government grants, the Group believes that employees are able to benefit by being able to attend even more eligible through various training programs qualified under the grants.

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Note: AR = Annual Report 2020

GRI Standard		Disclosure	Page Reference / Reason for Omission, if any
General Disclosures			
Organisation Profile	102-1	Name of the organisation	Page 2
	102-2	Activities, brands, products, and services	Page 2
	102-3	Location of headquarters	Page 2
	102-4	Location of operations	Page 2
	102-5	Ownership and legal form	Page 9 - 10
	102-6	Markets served	Page 2
	102-7	Scale of the organisation	Page 9 - 10
	102-8	Information on employees and other workers	Page 2
	102-9	Supply chain	Page 17
	102-10	Significant changes to the organisation and its supply chain	No significant changes
	102-11	Precautionary principle or approach	Page 18
	102-12	External initiatives	Page 17
	102-13	Membership of associations	Page 17
Strategy	102-14	Statement from senior decision maker	Page 16
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	Page 18
Governance	102-18	Governance structure	AR, Corporate Governance Statement
Stakeholder Engagement	102-40	List of stakeholder groups	Page 19
	102-41	Collective bargaining agreements	
	102-42	Identifying and selecting stakeholders	
	102-43	Approach to stakeholder engagement	
	102-44	Key topics and concerns raised	
Reporting Practice	102-45	Entities included in the consolidated financial statements	AR, Financial Statement
	102-46	Defining report content and topic boundaries	Page 19
	102-47	List of material topics	Page 19
	102-48	Restatements of information	None
	102-49	Changes in reporting	Not Applicable
	102-50	Reporting period	Page 16
	102-51	Date of most recent report	2 April 2021
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	Page 16
	102-54	Claims of reporting in accordance with the GRI Standards	Page 16
	102-55	GRI content index	Page 25 - 26
	102-56	External assurance	Page 16

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX (Cont'd)

GRI Standard		Disclosure	Page Reference / Reason for Omission, if any
Specific Disclosures			
Management Approach	103-1	Explanation of the material topic and its boundaries	Page 18 and 19
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Economic Performance			
Economic Performance	201-1	Direct economic value generated and distributed	Page 20
Occupational Health and Safety			
Occupational Health and Safety	403-1	Occupational Health and Safety Management System	Page 21 and 22
	403-2	Hazard identification, risk assessment and incident investigation	
	403-4	Worker participation, consultation and communication on occupational health and safety	
	403-5	Worker training on occupational health and safety	
	403-8	Workers covered by an occupational health and safety management system	
	403-9	Work-related injuries	
Training and Education	404-1	Average hours of training per year per employee	Page 23 and 24
	404-2	Programs for upgrading employee skills and transition assistance programs	
	404-3	Percentage of employees receiving regular performance and career development reviews	

CORPORATE GOVERNANCE STATEMENT

The board of directors (the “**Board**” or “**Directors**”) and Management of Pan Asian Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) are committed to maintaining a high standard of corporate governance to facilitate effective management and safeguard the interests of the Company’s shareholders.

This Corporate Governance Report outlines the Company’s corporate governance processes and activities that were in place for the financial year ended 31 December 2020 (“**FY2020**”), with specific reference to the principles and provisions of the Singapore Code of Corporate Governance 2018 (the “**Code**”), guidelines from Code of Corporate Governance 2012 (the “**Code 2012**”) which are still in effect as well as and the disclosure guide (the “**Guide**”) developed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Company is generally in compliance with the principles and guidelines set out in the Code and the Guide. Where there are deviations from the Code and Guide, the Board has considered the alternative practices adopted are sufficient to meet the underlying objectives of the Code and Guide. Appropriate explanations have been provided in the relevant sections where there were deviations.

The Board is pleased to confirm that for FY2020, the Group has adhered to the principles and provisions as outlined in the Code except for the following where the deviations and explanations have been provided:

- (i) Provision 3.1 – Chairman and Chief Executive Officers are Separate Persons
- (ii) Provision 8.1 – Disclosure on Remuneration

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Group.

As at date of this report, the Board comprises four Directors, three of whom are Independent Directors. The Board consists of:

Richard Koh Chye Heng	Executive Chairman
Lam Kwong Fai	Lead Independent Director
Wu Yu Liang	Independent Director
Lawrence Chen Tse Chau	Independent Director

Key information regarding the Directors is given in the section on “Board of Directors” of this annual report.

The Company is headed by its Board comprising entrepreneurs and professionals from various disciplines. All Directors recognise that they have to discharge their duties and responsibilities in the best interests of the Company. The Board’s principal responsibilities are, inter alia:

- (a) to guide the formulation of the Group’s overall long-term strategic objectives and directions. This includes setting the Group’s policies and strategic plans and monitoring the achievement of these corporate objectives;
- (b) to establish goals for management and monitor the achievement of these goals;
- (c) to ensure management leadership’s high quality, effectiveness and integrity; and
- (d) to review internal controls, risk management, financial performance and reporting compliance.

The Board has put in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisation culture, and ensures proper accountability within the Company.

The Board has delegated certain functions to its board committees, namely Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”), save for the following matters which are reserved for the Board’s decision:

- (a) the corporate strategy;
- (b) the making of any decision to cease, to operate all or any material part of the business of the Group or to extend the Group’s activities into new business;
- (c) the approval of any acquisition or disposal of any investment, asset or business by the Company or any of its subsidiaries;
- (d) the approval of any changes relating to the Company’s capital structure, including share issues and reduction of capital;
- (e) the approval of capital expenditures exceeding \$100,000 for unbudgeted expenditures;
- (f) the approval of capital borrowings and financial commitments;
- (g) the interested person transactions of the Group;
- (h) the approval of the Company’s financial results and audited financial statements;
- (i) the recommendation of the payment of any dividend by the Company;
- (j) the appointment or removal of director from the Board;
- (k) the appointment or removal of the Company Secretary;
- (l) the approval of remuneration packages of key executives of the Company recommended by the RC;
- (m) the convene of shareholders’ meetings; and
- (n) any matter required to be considered or approved by the Board as a matter of law or regulation.

The AC is chaired by Mr. Lam Kwong Fai and the NC and RC are chaired by Mr. Wu Yu Liang, both Independent Directors. Each Board Committee has been constituted to operate under the defined terms of reference. Each Committee has the delegated power to make decision, execute actions or make recommendations within its terms of reference and applicable limits of authority. The terms are reviewed and updated by the Board from time to time. The terms of reference of the respective Board Committees are set out in this statement.

The attendance record of the Directors at the 2020 annual general meeting, Board and Committee meetings for FY2020 is as follows:

Name of Directors	Annual General Meeting	Board	Audit Committee	Nominating Committee	Remuneration Committee
		No. of Meetings held: 3	No. of Meetings held: 3	No. of Meeting held: 1	No. of Meeting held: 1
	No. of Meetings Attended				
Richard Koh Chye Heng	1	3	NA	NA	NA
Lam Kwong Fai	1	3	3	1	1
Wu Yu Liang	1	3	3	1	1
Lawrence Chen Tse Chau ¹	–	–	–	–	–
Koh Eddie ²	1	2	NA	NA	NA
Indriati Khoe ³	1	2	2	1	1

Notes:

- 1 Mr Lawrence Chen Tse Chau was appointed as Independent Director of the Company on 1 April 2021.
- 2 Mr Koh Eddie resigned as Executive Director and Managing Director cum Chief Executive Officer of the Company on 25 November 2020.
- 3 Mr Indriati Khoe resigned as Non-Executive Director of the Company on 25 November 2020.
- 4 NA – Not applicable

The Company's Constitution allows a Board meeting to be conducted by way of telephone or video conference. The Board conducts scheduled meetings at least three times a year and additional meetings will be convened as and when they are deemed necessary. At the meetings of the Board, all Directors are free to speak and openly challenge the views presented by Management and other Directors. The Board had also on various occasions used circular resolutions to sanction decisions.

To assist the Board in discharging its duties, the Board is provided with Board papers in advance of Board meetings so that the Directors would have sufficient time to understand the matters which are to be discussed. The Directors are entitled to request from the Management and should be provided with additional information as needed to make informed decisions. The Directors have direct access to the Management and Company Secretaries at all times. In addition, the Directors and Board Committee, where necessary, may seek professional advice paid for by the Company. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

All Board appointments are made based on merit, in the context of skills, experience, core competencies, independence and other relevant factors, having due regard for the benefits of diversity on the Board and the contribution that the selected candidates will bring to the Board.

All newly appointed directors are provided with background information about the Group's history and core values, its strategic direction and corporate governance practices, as well as industry specific knowledge. The Company provides a formal letter to newly appointed directors upon their appointment setting out their statutory duties and responsibilities as directors. If the newly-appointed Director has no prior experience as a director of a listed company, he must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST and such training is at the expense of the Company. Such trainings will be completed within one year of his appointment.

On 1 April 2021, Mr Lawrence Chen Tse Chau was appointed as Independent Director of the Company. He has attended the requisite training organised by the Singapore Institute of Directors on the roles and responsibilities of a Director of a listed company to meet the mandatory training requirements under Rule 406(3)(a) of the Catalyst Rules. He is required to discharge his statutory duties and responsibilities as director of the Company in the best interests of and benefit to the Company.

Board members are encouraged to attend seminars and trainings to enhance their knowledge for them to discharge their duties and responsibilities. Such training costs are borne by the Company. The Company works closely with the sponsor, auditors, company secretary and other professionals to provide Directors with information relating to changes in relevant laws, listing rules, regulations and accounting standards.

During the year, the directors have attended the following training programme:

<u>Programme</u>	<u>Organised By</u>
Board Agenda Series webcast: How boards can reinforce risk oversight	EY
IVAS-IVSC Business Valuation Virtual Conference 2020	Institute of Valuers and Appraisers, Singapore (IVAS)
12th Compliance and Anti Money Laundering Virtual Event	Refinitiv

In addition, the external auditor of the Company has, during the presentation of the audit plan, provided relevant updates relating to changes to accounting standards and issues which have a direct impact on financial statements to the AC and other Board members.

All Directors are required to objectively discharge their duties and responsibilities in the best interests and benefit of the Company. Directors and Chief Executive Officer who are in any way, directly or indirectly, interested in a transaction or proposed transaction, including those identified within the Code and provisions of the Companies Act, Cap. 50 (the "**Act**") will declare the nature of their interests and not participate in any discussion and decision on the matter.

Each Director is aware of the requirements in respect of his/her disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company

The Company endeavours to maintain a strong and independent element on the Board. The Board comprises an Executive Director and three Independent Directors.

The criteria of independence are based on the definitions given in the Listing Manual Section B: Rules of Catalist of SGX-ST (the “**Catalist Rules**”) and Code. The Independent Directors have confirmed that they and their immediate family members are not employed or have been employed by the Company or any of its related corporations for the current and any of the past three financial years and whose remuneration is determined by the Remuneration Committee. They have also confirmed that they do not have any relationship with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement with a view to the best interests of the Group. As such, the NC has reviewed and confirmed the independence of the independent directors in accordance with the Code and Catalist Rules.

For FY2020, the NC has reviewed and is satisfied that the Independent Directors are independent and further, that no individual or small group of individuals dominate the Board’s decision-making process. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

In accordance with the Code, where there is such director serving as an independent director for more than nine years, the board will do a rigorous review of his continuing contribution and independence. Mr. Wu Yu Liang, who was appointed as director of the Company on 20 March 2009, has served on the Board as Independent Director for more than nine years. The NC, after rigorous review, considered that notwithstanding that Mr. Wu has served the Board for more than nine years, his independence as a Director is not affected as he continues to exercise independent judgement and demonstrate objectivity in his conduct and deliberations at the Board and Board Committee meetings. By diligently discharging his duties and exercising sound independent business judgement, he has exhibited a strong spirit of professionalism which did not diminish with time. The Board concurred with the NC that Mr. Wu continues to be regarded as independent, notwithstanding having served more than 9 years and his independence status is subject to annual review by the NC. Mr. Wu has abstained from the NC’s and Board’s determination of his independence.

With effect from 1 January 2022, Rule 406(3)(d)(iii) of Catalist Rules states that a director will not be independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and his continued appointment as an independent director has not been sought and approved in separate resolutions by:

- (a) all shareholders; and
- (b) shareholders, excluding the directors and the chief executive officer and associates of such directors and chief executive officer.

For the purpose of the resolution referred to in (b), the directors and the chief executive officer of the listing applicant, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given.

Such resolutions may remain in force until the earlier of (i) the retirement or resignation of the director or (ii) the conclusion of the third annual general meeting of the company following the passing of the resolutions.

Accordingly, Mr. Wu Yu Liang is subject to two tier voting for his re-appointment as director at the forthcoming annual general meeting.

The Board recognises that Independent Directors may over time develop significant insights into the Group’s business and operations as well as can continue to objectively provide significant and valuable contribution to the Board as a whole.

The Board acknowledges that under Provision 2.2 of the Code, the independent directors should make up a majority of the Board where the Chairman is not independent. Provisions 2.2 and 2.3 of the Code are met as majority of the Board is made up by independent directors. Further, Independent Directors make up at least one-third of the Board, as required under Guideline 2.1 of Code 2012.

The core competencies and gender of the Board members are set out below:

	Number of Directors	Proportion of Board
Core Competencies		
Accounting or finance	2	50%
Legal or corporate governance	1	25%
Relevant industry knowledge or experience	1	25%
Strategic planning experience	3	70%
Customer based experience or knowledge	4	100%
Gender		
Male	4	100%
Female	0	0%

The Board has yet to achieve the gender diversity for the Board but it possesses balance and diversity of expertise in other disciplines. The Board ensures its composition and Board committees are of an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board hence adopts the aforementioned policy in its process of identifying director nominees. The NC conducts annual review to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board. This will enable the Board to maintain or enhance balance and diversity of the Board. As shown in the table above, the Board members provide a range of core competencies that would provide effective directive for the Group. Accordingly, the current Board comprises persons that collectively have core competencies necessary to lead and oversee the Company.

The Independent Directors provide, amongst others, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. The Independent Directors also help to review the performance of the Management in meeting goals and objectives and monitor the reporting of performance.

To facilitate a more effective check on the Management, the Non-Executive Directors will arrange for meetings without the presence of the Management as and when required. The Non-Executive Directors, led by the lead independent director, have met once in the absence of the Management during the financial year in review.

Principle 3: Chairman and Chief Executive Officer

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.

Mr. Richard Koh Chye Heng, founder of the Company, is the Executive Chairman of the Company. With the departure of the Chief Executive Officer (“CEO”) with effect from 30 April 2021, Mr Richard Koh Chye Heng will take over the duties of the CEO as he is experienced and familiar with the Group’s business. The role of the Executive Chairman and CEO is not separate as the Board is of the view that it is in the best interests of the Company to adopt a single leadership structure to ensure that the decision-making process of the Company would not be unnecessarily impeded as well as to ensure that the Company is able to grasp business opportunities efficiently and promptly. Although the roles of Chairman and CEO are not separate, the AC, NC and RC are chaired by Independent Directors. In addition, the Board believes that there are sufficient safeguards and checks in place to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board as a whole.

Guided by the Chairman of the respective committees, Group Financial Controller and the Company Secretary, the Executive Chairman is responsible to:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the directors receive complete, adequate and timely information;
- (e) ensure effective communication with its shareholders;
- (f) encourage constructive relations within the Board and between the Board and Management;
- (g) facilitate effective contribution of non-executive directors in particular; and
- (h) promote high standards of corporate governance and assist in ensuring compliance of the Company’s guidelines on corporate governance.

Mr. Lam Kwong Fai has been appointed as the Lead Independent Director of the Company and he is available to shareholders should they have concerns which cannot be resolved through the normal channels of the Chairman or the Group Financial Controller or for which such contact is inappropriate or inadequate. The Lead Independent Director is responsible for leading the meetings of Independent Directors without presence of the other Directors, as and when required. Feedback will be given to the Chairman after such meetings.

Principle 4: Board Membership

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

All the NC members are Independent Directors. The NC members are:

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Lawrence Chen Tse Chau	Independent Director

The NC is established for, inter alia, the purposes of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

The terms of reference of the NC includes:

- (a) to determine the criteria for the appointment and re-appointment of directors (including alternate directors, if any);
- (b) to set up a process for the selection of such appointment;
- (c) to review nominations for the appointment of Directors to the Board;
- (d) to make recommendations to the Board on all board appointments;
- (e) to review and recommend the Board on the re-nomination of incumbent Directors having regard to the Director's contribution and performance;
- (f) to determine annually whether or not a Director is independent;
- (g) to make recommendation to the Board the performance criteria and appraisal process to be used for the evaluation of the effectiveness of the Board, its Board committees and directors, which criteria and process shall be subject to Board's approval;
- (h) to review the board succession plans for directors, in particular, the appointment and/or replacement of the Chairman, the Chief Executive officer (if any) and key executives; and
- (i) to review of training and professional development programs for the Board and its directors.

All Independent Directors of the Company have other listed company board representations.

As time requirement of each director is subjective, the NC has decided not to fix a maximum limit on the number of listed companies directorships a director can hold. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates. The NC would review the board representations of each Director, from time to time to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into accounts the multiple directorships and other principal commitments of each of the Directors, and is satisfied that all Directors have adequately discharged their duties adequately for FY2020.

The process for the shortlisting, selection and appointment of new directors is spearheaded by the NC. The NC would first consider the needs of the Board before considering the selection of candidates. In the selection and nomination of new directors, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. External help (for example, Singapore Institute of Directors, search consultants) could be used to source for potential candidates. Interviews are set up with potential candidates so that the NC is able to assess each prospective candidate before a decision is made for recommendation to the Board for final approval.

The Constitution of the Company states that one-third of the Directors have to retire and subject themselves for re-election by the shareholders at each annual general meeting of the Company. In addition, each Director of the Company shall retire from office and subject themselves for re-nomination and re-appointment at least once every three years.

The NC makes recommendations to the Board on the appointment, re-nomination and retirement of Directors. When an existing Director chooses to retire or is required to retire from office by rotation, the NC takes factors such as attendance, preparedness, participation and candour into consideration when evaluating the past performance and contributions of a Director when making its recommendations to the Board.

Mr Wu Yu Liang and Mr Lawrence Chen Tse Chau are subject to retirement at the forthcoming annual general meeting pursuant to the provisions of the Constitution of the Company and/or Catalist Rules.

Pursuant to Rule 720(5) of the Catalist Rules, the information relating to the retiring Directors as set out in the Appendix 7F of the Catalist Rules of the SGX-ST is disclosed below:

	Wu Yu Liang	Lawrence Chen Tse Chau
Date of Appointment	20 March 2009	1 April 2021
Date of last re-appointment	29 April 2019	NA
Age	61	39
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>Mr Wu had disclosed to the NC matters concerning China Environment Limited ("CEL") as set out in section (j)(i) of 'Information Required' below.</p> <p>In arriving at its decision to nominate Mr Wu for re-election as a director, the NC took into account the following;</p> <p>(a) SGX RegCo's public reprimand of CEL, its former Executive Chairman, former Executive Director and Chief Executive Officer and former Chief Financial Officer for breaches of the Listing Rules.</p> <p>(b) Mr Wu was an independent director ("ID") of CEL when the breaches occurred and his resignation as an ID of CEL when the audit issues raised by auditors remained unresolved.</p> <p>The NC considered (a) and (b) above and also Mr Wu's professionalism, independence, extensive experience, his proficiency in the Chinese language and his invaluable contributions to Pan Asian Holdings Limited in the past years which were greatly valued and came to the conclusion that on balance Mr Wu will continue to contribute to Pan Asian Holdings Limited.</p>	<p>The Board has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, working experiences, contribution, performance, attendance, preparedness, participation, candour and suitability of Mr Lawrence Chen for re-election as an Independent Director of the Company and concluded that Mr Lawrence Chen possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p> <p>The Board considers Mr Lawrence Chen to be independent for the purpose of Rule 704(7) of the Catalist Rules.</p>

	Wu Yu Liang	Lawrence Chen Tse Chau
	<p>The NC finds Mr Wu suitable for reappointment as a director. On a prudent basis, the NC has recommended to the Board to consider safeguards including but not limited to asking Mr Wu to attend conferences and seminars on relevant Listing Rules and corporate governance, and as and when he is subjected to reappointment.</p> <p>The Board considered and accepted the NC's recommendation and assessment of Mr Wu's independence, background, professional qualifications and extensive working experience and is satisfied with the value that he will continue to contribute to the Board.</p> <p>The Board considers Mr Wu to be independent for the purpose of Rule 704(7) of the Catalist Rules.</p>	
Whether appointment is executive, and if so, the area of responsibility	Non-Executive and Independent	Non-Executive and Independent
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<p>Non-Executive and Independent Director</p> <p>Chairman of the NC and RC</p> <p>Member of the AC</p>	<p>Non-Executive and Independent Director</p> <p>Member of the AC, NC and RC</p>
Professional qualifications	Bachelor of Laws with Second Class Honours (Upper Division), National University of Singapore	<p>Diploma in Marine Engineering, Singapore Polytechnic</p> <p>Bachelor of Science in Applied Accounting (Upper Second Class Honours), Oxford Brookes University</p> <p>Fellow Member of The Association of Chartered Certified Accountants (ACCA, UK)</p> <p>Chartered Accountant of Singapore, Institute of Singapore Chartered Accountants</p> <p>Member of Singapore Institute of Directors</p>
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	No	No

	Wu Yu Liang	Lawrence Chen Tse Chau
Conflict of Interest (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	<p>2007 to present Managing Director, Wu LLC</p> <p>2006 to present, Independent Director, Jiutian Chemical Group Limited</p> <p>2014 to present Independent Director, AusGroup Limited</p> <p>2012 to 2015 Independent Director, China Environment Ltd.</p> <p>2007 to 2013 Independent Director, See Hup Seng Limited</p>	<p>September 2020 to present: Audit Partner at Unity Advance LLP</p> <p>September 2020 to March 2021: Audit Partner at JSL & Associates</p> <p>September 2020 to present: Director at Athel Accounting Pte. Ltd.</p> <p>October 2020 to present: Independent Director at China Star Food Group Limited Director at Prime Accountants Public Accounting Corporation</p> <p>November 2020 to present: Director at Athel Assurance Public Accounting Corporation</p> <p>March 2021 to present: Director at Radiant Management Services Pte. Ltd.</p> <p>September 2020 to present: Public Accountant Employee at Acumen Assurance, Acumen Associates LLP and SYA Public Accounting Corporation.</p> <p>October 2018 to September 2020: Assurance Associate Director at Nexia TS Public Accounting Corporation</p> <p>December 2017 to October 2018: Group Financial Controller at ecoWise Holdings Limited</p> <p>August 2016 to December 2017: Assistant Group Financial Controller at ecoWise Holdings Limited</p> <p>January 2013 to June 2016: Audit Senior Manager at RSM Chio Lim LLP</p> <p>May 2012 to December 2012: Audit Senior at Ernst & Young LLP</p> <p>November 2009 to May 2012: Audit Team Leader at RSM Chio Lim LLP</p>
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	No	No

	Wu Yu Liang	Lawrence Chen Tse Chau
Other Principal Commitments* Including Directorships# Notes: * "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704 (9) or Catalist Rule 704 (8).		
Past (for the last 5 years)	Directorships: None Principal Commitments excluding Directorships: None	Directorships: SCI E-commerce Group Limited Principal Commitments excluding Directorships: Nexia TS Public Accounting Corporation ecoWise Holdings Limited RSM Chio Lim LLP JSL & Associates
Present	Directorships: Jiutian Chemical Group Limited AusGroup Limited Principal Commitments excluding Directorships: Managing Director of Wu LLC	Directorships: Athel Assurance Public Accounting Corporation ("PAC") Prime Accountants PAC China Star Food Group Limited Athel Accounting Pte Ltd Radiant Management Services Pte. Ltd. Principal Commitments excluding Directorships: Unity Advance LLP Acumen Assurance Acumen Associates LLP SYA PAC
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

	Wu Yu Liang	Lawrence Chen Tse Chau
(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
(c) Whether there is any unsatisfied judgment against him?	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
(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

	Wu Yu Liang	Lawrence Chen Tse Chau
(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
(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
(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
(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

	Wu Yu Liang	Lawrence Chen Tse Chau
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p>	<p>Yes</p> <p>On 25 September 2020, SGX RegCo publicly reprimanded CEL, its former Executive Chairman, former Executive Director and Chief Executive Officer and former Chief Financial Officer for breaches of the Listing Rules. For details, please refer to CEL's announcement broadcasted at 18.25 hrs on 25 September 2020. Mr Wu was an independent director of CEL when the aforesaid breaches occurred.</p>	<p>No</p>
<p>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</p>	<p>No</p>	<p>No</p>
<p>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</p>	<p>No</p>	<p>No</p>
<p>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</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	<p>No</p>	<p>No</p>

	Wu Yu Liang	Lawrence Chen Tse Chau
(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?	<p>Yes</p> <p>On 27 February 2001, a complaint was lodged with the Law Society of Singapore by the Plaintiffs in a legal suit against the Defendants' solicitor firm of Yeo Wu & Thian of which Mr Wu Yu Liang was previously a partner. The complaint alleged that the letter of demand issued by the Defendants' solicitors made baseless demand and demand for unsubstantiated sums against the Plaintiffs/complainants. On 10 December 2001 the Law Society of Singapore wrote to confirm the inquiry committee's findings that Mr Wu Yu Liang together with 3 other partners were not involved in the legal suit and that the complaint against them was dismissed.</p>	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience.	N.A.	N.A.
<p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	<p>N.A.</p> <p>Mr Wu is proposed to be re-elected as a Director of the Company.</p>	<p>N.A.</p> <p>Mr Lawrence Chen is proposed to be re-elected as a Director of the Company.</p>

The NC has assessed and recommended to the Board, and the Board has endorsed the re-election of Mr Wu Yu Liang and Mr Lawrence Chen Tse Chau, who have offered themselves for re-election as Directors of the Company by shareholders at the forthcoming annual general meeting.

Mr Wu will, upon re-election as Director of the Company, remain as Chairman of the NC and RC and a member of the AC. Mr Wu does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders (as defined in the Code).

Mr Lawrence Chen will, upon re-election as Director of the Company, remain as a member of the AC, NC and RC. Mr Lawrence Chen does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders (as defined in the Code).

The key information of the Directors as at the date of this report is set out below:

Name of Directors	Date of Initial Appointment as Director / Date of Last Re-election and Re-appointment as Director	Directorship in Other Listed Companies		Principal Commitments
		Current	Past 3 Years	
Richard Koh Chye Heng (Executive Chairman)	26 May 2008 / 29 April 2019	–	–	Executive Chairman of the Company
Lam Kwong Fai (Lead Independent Director)	31 October 2017 / 5 June 2020	China Kunda Technology Holdings Limited D'Nonce Technology Berhad Soon Lian Holdings Limited Capital World Limited	Medtecs International Corporation Limited OEL (Holdings) Ltd	3 Peaks Capital Private Limited Alder Corporate Services Pte Ltd
Wu Yu Liang (Independent Director)	20 March 2009 / 29 April 2019	Jiutian Chemical Group Limited AusGroup Limited	–	Wu LLC
Lawrence Chen Tse Chau (Independent Director)	1 April 2021 / –	China Star Food Group Limited	–	Unity Advance LLP Radiant Management Services Pte. Ltd. Prime Accountants Public Accounting Corporation Athel Accounting Pte. Ltd. Acumen Assurance Acumen Associates LLP SYA PAC Athel Assurance PAC

Currently, no alternate director has been appointed in respect of any of the Directors.

None of the Directors of the Company have any relationships including immediate family relationships between himself/herself and the Directors, the Company and its substantial shareholders, could interfere or to be reasonably perceived to interfere with the exercise of independent judgments.

The NC has ensured that Mr Lawrence Chen Tse Chau, who was appointed on 1 April 2021, is aware of his duties and obligations. The NC has decided that Mr Lawrence Chen Tse Chau is able to and has been adequately carrying out his duties as a director of the Company.

Principle 5: Board Performance

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

The NC has established an appraisal process to assess the performance and effectiveness of the Board (including Board Committees) on a yearly basis with inputs from the other Board members and the Chairman.

The NC also decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders value. It focuses on a set of criteria which include Board's conduct of meetings, maintenance of independence, board accountability, communication with Management, etc.

The performance criteria are not changed from year to year except when deemed necessary and justifiable. For FY2020, the NC did not propose any changes to the performance criteria for FY2020 as compared to the previous financial year as the economic climate, the Group's principal business activities largely remained the same. Where the performance criteria are deemed necessary to be changed, the onus should be on the NC and the Board to justify this decision.

During the year, the NC has assessed the effectiveness of the Board and Board Committee. As part of the process, all Directors complete appraisal forms which are collated by the Company Secretary. Individual directors' declaration forms are completed annually by the Company's respective Directors to disclose their direct or deemed interest. The NC assesses the effectiveness of the individual director via the assessment of the individual directors' contribution to the Board and Board committees, time and resources allocated to the Company by each director, and the declaration forms submitted. The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, proposes its recommendations to the Board. No significant issues were identified from the evaluation of the Board's performance for the financial year under review.

The NC has reviewed and is satisfied that each member of the Board had been effective during the year having regard to the preparedness, active participation and contribution of each Board member during each Board and Committee meeting. The Board has met its performance objectives.

In relation to the re-appointment of Mr Wu Yu Liang as an Independent Director of the Company at the forthcoming annual general meeting, the NC has conducted rigorous review to review his independence status and his disclosure with regards to CEL as disclosed above and recommended his re-appointment as Independent Director of the Company.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.

No external facilitator has been engaged for the purposes to assess the Board's performance for FY2020.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

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/her own remuneration.

Principle 7: Level of Mix of Remuneration

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

The RC comprises the following members:

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Lawrence Chen Tse Chau	Independent Director

All RC members are non-Executive and Independent Directors. The RC has experience in the field of executive compensation. The RC has access to internal and external experts and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

The RC is established for, inter alia, the purposes of ensuring that there is a formal and transparent procedures for fixing the remuneration package of individual Director. It reviews the remuneration packages of executive directors and key executives to ensure it is structured so as to link rewards to corporate and individual performance. The overriding principle is that no Director should be involved in deciding his/her own remuneration.

The RC has adopted written terms of reference that defines its membership, roles and functions and administration. The terms of reference of the RC includes:

- (a) to advise the Board on the framework of remuneration policies for the Directors and key executives;
- (b) to review and recommend to the Board in consultation with senior Management a framework of remuneration for the Board and key management personnel;
- (c) to review and recommend to the Board the specific remuneration packages for each director and key executives; and
- (d) to recommend to the Board in consultation with the Managing Director cum Chief Executive Officer, the key executives' and other employees' incentive schemes.

The annual review covers all aspects of remuneration including salaries, fees, allowances, bonuses, options and benefits-in-kind, taking into consideration the long-term interests of the Group. The RC also reviews termination terms, to ensure that they are fair. In setting remuneration packages, the RC will take into account the performance of the Group as well as the Executive Director and key executives aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The RC's recommendations are made in consultation with the Executive Chairman of the Board and submitted for endorsement by the entire Board. The RC subsequently approves the proposed remunerations which are also tabled and approved at Board level. The Executive Chairman abstained from the deliberation and decision making of his own remuneration. No Director shall participate in decisions on his/her own remuneration. The payment of Directors' fees is subject to the approval of shareholders.

Remuneration matters of the Directors are the responsibility of the RC who will review and make necessary recommendations to the Board for approval. In respect of remuneration matters relating to senior Management group, the Executive Chairman will make recommendations for the RC's consideration and review. The RC's role also includes the review of Executive Director and key executives' termination clause in contracts, to ensure that the terms of which are fair and reasonable.

There was no remuneration consultant engaged for the financial year in review.

The remuneration of the Independent Directors is in the form of a fixed fee which is fixed after taking into consideration factors such as effort, time spent and responsibilities of the Directors. The fees are subject to shareholders' approval at the annual general meeting.

Annual reviews are carried out by the RC to ensure that key executives are appropriately rewarded, having due regard to the financial and commercial health and business needs of the Group.

The Company does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key executives in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key executives, "claw-back" provisions in the service agreements may not be relevant or appropriate.

Principle 8: Disclosure on Remuneration

Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and Key Management personnel, and performance.

The Group adopts a remuneration policy for staff comprising both fixed and variable components. The fixed component is in the form of a base salary and the variable component is in the form of a variable bonus that is linked to the Company's and individual's performance. Certain employees are also entitled to other benefits. The Management moderates and allocates the variable bonus based on the individual performance of employees and their contributions towards the achievement of the Company's performance.

The remuneration package of Executive Director and key executive officers consists of:

- (1) Fixed salary / Director's Fee - Fixed salary is determined based on the complexity of the required responsibilities and tasks, along with data on market and sector comparatives.
- (2) Bonus and Incentives - Variable salaries which comprise sales incentives (as applicable) and variable bonus.
- (3) Other Benefits - Other benefits comprise of transport allowances, country club memberships, and benefits-in-kind.

The Non-Executive Directors are entitled to Director's fees. The level of fees is reviewed for reasonableness, taking into account the size of the Company as well as the additional duties and responsibilities, effort and time spent of the Non-Executive Directors.

The breakdown of remuneration of the Directors and key executives of the Group (in percentage terms) for FY2020 is set out below:

Name	Fixed Salary	Director Fees	Bonus and Incentives	Other benefits-in-Kind
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Remuneration Band from \$250,001 to \$500,000

Executive Directors

Richard Koh Chye Heng	92%	-	8%	-
Koh Eddie ⁽¹⁾	73%	-	7%	20%

Key Executive

Harvey Kwan Koon Ho	27%	-	73%	-
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Remuneration Band between \$300,000 to \$400,000

Key Executive who is a family member of the Executive Directors

Kelly Koh Mee Lin ⁽²⁾	64%	-	36%	-
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Remuneration Band up to \$250,000

Independent Directors

Lam Kwong Fai	-	100%	-	-
Wu Yu Liang	-	100%	-	-
Lawrence Chen Tse Chau ⁽³⁾	-	-	-	-

Non-Executive Director

Indriati Khoe ⁽⁴⁾	-	100%	-	-
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Key Executive

Isaiah Yap Chun Hong	92%	-	8%	-
Tan Wei Hong	77%	-	23%	-

Notes:

- (1) Mr Koh Eddie resigned as Executive Director and Managing Director cum Chief Executive Officer of the Company on 25 November 2020. He remains as a Managing Director of the Company's wholly-owned subsidiary, Duvalco Valves and Fittings Pte Ltd, and Sales director of Wuhu Duvalco Valves & Fittings Co Ltd, a wholly owned subsidiary of the Company.
- (2) Ms Koh Mee Lin is the daughter of Mr Richard Koh Chye Heng and sibling of Mr Koh Eddie. Ms Indriati Khoe is the sister-in-law of Ms Koh Mee Lin.
- (3) Mr Lawrence Chen Tse Chau was appointed as Independent Director of the Company on 1 April 2021.
- (4) Ms Indriati Khoe resigned as Non-Executive Director of the Company on 25 November 2020.

The performance conditions used to determine the entitlement of the Executive Directors and top five key executives comprise of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions are on the job performance, leadership, teamwork, etc. The performance conditions are set by the RC. The RC has reviewed and is satisfied that the performance conditions of the Directors and key executives were met for FY2020.

For FY2020, there was no termination, retirement or post-employment benefits granted to the Directors, the Managing Director cum Chief Executive Officer and relevant key executives.

Given the highly competitive industry conditions, the Company believes that it is not in the best interests of the Company to fully disclose details of the remuneration of each individual Director and the Chief Executive Officer as well as the aggregate remuneration paid to the key executives of the Group.

The Company has not provided for the CEO's remuneration amount in view of his short tenure with the Company for FY2020 and as his remuneration is less than \$100,000. The Company hence believes that it is not in the best interests of the Company to fully disclose details of his remuneration, which comprises of 100% fixed salary.

Save for Ms Kelly Koh Mee Lin as disclosed above, there is no other employee related to a Director or the Chief Executive Officer or a substantial shareholder of the Company whose remuneration exceeds \$100,000 in the Company's employment for FY2020.

The Company does not have an employee share option scheme for the financial year in review.

Principle 9: Risk Management and Internal Controls

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

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets and to manage risks. With the assistance of the AC, the Board reviews the risk management processes and framework, overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems annually. In view of the size of the current Board is relatively small, the Board agreed that AC will assist the Board to identify significant risks of the Group and a separate risk committee is not required.

The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

Based on the internal controls established by the Group, its assessment of work performed by the external auditor and internal auditor, as well as the Assurances (as defined herein), the Board, with the concurrence of the AC, is of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risks and the risk management systems were effective and adequate for FY2020.

The system provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices and the identification and management of business risks.

The Board has received assurance from the Executive Chairman and Group Financial Controller that the financial records for FY2020 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems were adequate and effective as at 31 December 2020. The Company has also received assurance from the internal auditors that the Company's risk management and internal control systems are effective (the "Assurances").

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

The AC comprises three members, all of whom are Non-Executive and independent. None of the AC members were previous partners or directors of the Company's external audit firm within the last two years and none of the AC members hold any financial interest in the external audit firm.

The members of the AC are:

Lam Kwong Fai	Chairman and Lead Independent Director
Wu Yu Liang	Independent Director
Lawrence Chen Tse Chau	Independent Director

The role of the AC is to, inter alia, assist the Board in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls. The Board is of the opinion that the members of the AC have sufficient accounting and financial management expertise and experience in discharging their duties and responsibilities. The Board considers Mr Lam, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC.

The Company complies with Rules 712 and 716 of the Catalist Rules. The AC and Board are satisfied that the appointment of different auditing firms for overseas subsidiaries of the Group would not compromise the standard and effectiveness of the audit of the Company.

The functions and responsibilities of the AC include the following:

- (a) to review adequacy and effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews and evaluation carried out by the internal auditor and external auditor and the assistance given to them by the Company's Management at least annually;
- (b) to review the financial statements of the Company and the half-yearly and full year financial results and the respective results announcements before submission to the Board;
- (c) to review significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (d) to review the assurance from the Executive Director and the Group Financial Controller on the financial records and financial statements;
- (e) to review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.
- (f) to review and approve interested person transactions;
- (g) making recommendations to the Board on (1) proposals to shareholders on the appointment and removal of external auditors; and (2) the remuneration and terms of engagement of the external auditors as well as to review the adequacy, independence, effectiveness, scope of audit plan and results of the internal auditor and external auditor of the Company;
- (h) to review the nature and extent of non-audit services provided by the external auditor; and
- (i) to meet with the external auditor, other committees, and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director or Executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

During FY2020, the AC has met with the external auditor and internal auditor, without the presence of Management.

The AC also reviews all non-audit services provided by the external auditor to ensure that the provision of these services does not affect the independence of the auditors. For FY2020, RSM Chio Lim LLP ("**RSM**") provided tax compliance services to the Company other than audit services. The amount of fees paid to auditors, RSM, in respect of audit and non-audit services for the year under review are \$109,000 and \$18,000, respectively. The AC has reviewed the non-audit services provided by RSM Chio Lim and is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditor and accordingly, has recommended the re-appointment of RSM as auditors of the Company at the forthcoming Annual General Meeting.

The Company has put into place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The whistle blowing policy of the Company is made available to the employees of the Company, for their information. The AC, upon receipt of complaints or allegations from any employee, determines if an investigation is necessary. If an investigation should be carried out, it will direct an independent investigation to be conducted on the complaint received. The AC and the Board will receive a report on that complaint and findings of investigation as well as a follow-up report on actions taken.

The AC is kept abreast by the Management and the external auditor of changes to accounting standards, Catalyst Rules and other regulations which could have an impact on the Group's business and financial statements.

The Company has not put in place a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measure to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and AC.

The AC has deliberated the key audit matters identified by the external auditor, i.e. impairment allowances on trade receivables and inventories. Full details of the key audit matters for FY2020 are provided in the Statement by Directors of the Annual Report.

The AC is responsible for the appointment and assessment of the performance of the internal auditor. The Group has appointed Nexia TS Risk Advisory Pte. Ltd. as its internal auditor to assist the AC to assess and evaluate that the Company maintains a robust and effective system of internal controls by regular monitoring of key controls, conducting audits of high risk areas and undertaking investigations as directed by the AC.

The internal auditor's primary line of reporting is to the Chairman of the AC. On an annual basis, the internal auditor prepares and executes a risk-based audit plan, so as to review the adequacy and effectiveness of the system of internal controls of the Group. Key audit findings are presented to the AC and the results of the findings are also shared with the external auditor. In addition, the AC meets with the internal auditor separately, at least once a year, without the presence of Management.

The AC is satisfied that the internal auditor is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies), resourced, has unfettered access to all of the Company's documents, records, properties and personnel, including the AC and has the appropriate standing in the Company to discharge its duties effectively.

The AC is of the opinion that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 11: Shareholder Rights and Conduct of General Meetings

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 its Shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company encourages shareholders' participation at the Company's annual general meetings. The general meeting is the principal forum for dialogue with shareholders.

At the annual general meeting and extraordinary general meeting held in 2020 via electronic means, the Chairman was appointed as proxy by some shareholders to vote on their behalf. The voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meeting via SGXNET.

In view of the Covid-19 situation, the Company's forthcoming annual general meeting for the financial year ended 31 December 2020 will still be held through electronic means. Although shareholders will not be able to ask questions during the live webcast at the meetings, the Company encourages shareholders to register and submit their questions in advance of the meeting. Shareholders may raise questions or share their views regarding the proposed resolutions as well as the Company's businesses and affairs with the Company prior to the meeting. The Chairman of the Board and Chairman of the Board Committees as well as the Company's auditor, will provide answers to shareholders' queries received by the Company prior to, or at, the meeting.

At the forthcoming general meeting, a shareholder will not be able to attend the meeting in person. Instead, alternative arrangements have been put in place to allow shareholders to participate in the forthcoming meeting by:

- (a) watching or listening to the live meeting webcast proceedings;
- (b) submitting questions in advance of the meetings; and/or
- (c) appointing the Chairman of the meetings as proxy to attend, speak and vote on their behalf at the forthcoming annual general meeting.

All shareholders have the opportunity to participate effectively in and vote at general meetings.

The Company ensures that sufficient explanations of all resolutions are included in the notice of the annual general meeting. Separate resolutions on each distinct issue are tabled at general meetings. "Bundling" of resolutions are kept to a minimum and executed only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

Under item 11.1 of the checklist issued by Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020 which provides guidance to the listed and non-listed entities on the conduct of general meetings during the period when safe management measures are in place, issuers must publish minutes within one month after the general meeting on SGXNET and, if available, the issuer's corporate website.

Accordingly, the Company will publish the minutes of the forthcoming general meeting via SGXNET and corporate website of the Company within one month from the date of meeting. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meetings, and responses from the Board and management.

The Board does not implement absentia-voting methods by mail, e-mail or fax, until issues on security and integrity are satisfactorily resolved.

The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.

Principle 12: Engagement with Shareholders

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

The Company endeavours to communicate regularly, effectively and fairly with its shareholders. In line with the continuous disclosure obligations under the relevant rules, the Board ensures that shareholders are promptly informed of all major developments that may have a material impact on the Group in a timely manner. Information is released to shareholders and investors on a timely basis, through SGXNET as well as the Company's corporate website (<http://www.panasian.com.sg>).

Apart from the SGXNET announcements and its annual report, the Company may release press releases or organise media/analyst briefings to keep shareholders informed of corporate developments.

Notwithstanding that the Company does not have a dedicated investor relations team and investor relations policy. Mr Isaiah Yap Chun Hong, the Group Financial Controller is responsible for the Company's communication with shareholders. Shareholders and investors who have questions may reach out to Mr Yap at IR@panasian.com.sg. The said email address is also available at the Company's corporate website. The Company will consider the appointment of a professional investor relations officer to manage the function and put in place an investor relations policy when the need arises.

Principle 13: Engagement with Stakeholders

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

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. The identified key stakeholders of the Group include suppliers, customers, employees, community, investors and regulators.

The Company regularly engages its stakeholders through various channels to ensure that the business interests are aligned with its stakeholders. Stakeholders of the Company will be able to communicate with the Company through the contact information provided in its corporate website.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. All significant control policies and procedures are reviewed by Management and all significant matters are tabled to the AC and Board for review and deliberation.

DEALINGS IN SECURITIES

The Company has set out guidelines to the Directors, officers and staff of the Group in relation to dealings in the Company's securities. These guidelines prohibit the Company, its Directors, its officers and staff from dealing in the listed securities of the Group while in possession of material or price sensitive information and during the period one month before the announcement of the Company's half-year and full-year financial results and ending on the date of announcement of the relevant financial results. The Company, its Directors and officers are also advised not to deal in the Company's securities on short-term considerations.

The Company, Directors and officers of the Company are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

All Directors are also provided with proper guidance on disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval. The AC has reviewed the interested person transactions for FY2020 conducted in accordance with Chapter 9 of the Catalist Rules and is satisfied that the transactions were on normal commercial terms.

The aggregate value of interested person transactions entered into during FY2020 pursuant to Rule 920 of the Catalist Rules is as follows:

Name of Interested Persons and Details of Transactions	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		\$'000	\$'000
Payments made by the Group to Duvalco Valves Wuxi Co. Ltd ("DVW")			
Purchases of raw materials stocks by Wuhu Dulvaco & Fittings Co. Ltd from DVW on 4 September 2020	A	276.0	-
Payments made by the Group to Xu Jia Zu Pte. Ltd. ("XJZ")			
Rental expenses paid by Duvalco Valves & Fitting Pte. Ltd. to XJZ	B	900.0 ^c	-
Rental expenses paid by MUHR Asia Pte. Ltd. to XJZ	B	300.0 ^c	-
Total		1,200.0	-

Notes:

- DVW is a company incorporated in China and wholly-owned by Mr Richard Koh Chye Heng, the Executive Chairman of the Company.
- XJZ is a company incorporated in Singapore and wholly-owned by Mr Richard Koh Chye Heng, the Executive Chairman of the Company and Mr Eddie Koh, the Managing Director of Duvalco Valves & Fittings Pte. Ltd.
- The interested person transactions entered into by the Company with XJZ and DVW in relation to the rental agreements and purchase of raw material stocks respectively was announced on 4 September 2020 pursuant to Rule 905(2) of the Catalist Rules.

Save for the above, there was no other interested party transaction that is \$100,000 and above for FY2020. The Company does not have an existing general mandate pursuant to Rule 920 of the Catalist Rules.

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiary companies involving the interests of the Executive Chairman, Chief Executive Officer, other Director or controlling shareholder of the Company, either still subsisting at the end of FY2020 or entered into since the end of the previous financial year.

CATALIST SPONSOR

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2020.

STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Richard Koh Chye Heng
Lam Kwong Fai
Wu Yu Liang

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year had no interest in shares or in debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

<u>Name of directors and companies in which interests are held</u>	<u>Deemed interest</u>	
	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>
<u>In the Company</u>	<u>Number of shares of no par value</u>	
Richard Koh Chye Heng	165,137,500	165,137,500

<u>Name of directors and companies in which interests are held</u>	<u>Direct interest</u>	
	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>
<u>In the parent Company</u> <u>– Xu Jia Zu Holdings Pte. Ltd.</u>	<u>Number of shares of no par value</u>	
Richard Koh Chye Heng	750,050 1 ^(a)	750,050 1 ^(a)

By virtue of section 7 of the Act, Richard Koh Chye Heng, Koh Eddie and Indriati Khoe are deemed to have an interest in the Company and in all the related body corporates of the Company.

- (a) Richard Koh Chye Heng holds one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s Constitution, he has or is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

The directors' interest as at 21 January 2021 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

STATEMENT BY DIRECTORS

5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

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

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

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of Audit Committee

The members of the Audit Committee at the date of this statement are as follows:

Lam Kwong Fai	(Independent director and Chairman of Audit Committee)
Wu Yu Liang	(Independent director)

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.

7. Report of Audit Committee (continued)

- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

8. Directors' opinion on the adequacy of the internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal auditor and independent external auditor, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2020.

STATEMENT BY DIRECTORS

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 26 February 2021, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

.....
Richard Koh Chye Heng
Director

.....
Lam Kwong Fai
Director

31 March 2021

INDEPENDENT AUDITOR'S REPORT

to the Members of PAN ASIAN HOLDINGS LIMITED

Report on audit of the financial statements

Opinion

We have audited the accompanying financial statements of Pan Asian Holdings Limited (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 2020, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including the significant accounting policies.

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)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis of 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 Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

to the Members of PAN ASIAN HOLDINGS LIMITED

Key audit matters (cont'd)

Net realisable value of inventories

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 20 on inventories.

The cost of inventories may not be recoverable in full if those inventories are damaged, or if they become obsolete, or if their selling prices have declined. The assessment of the net realisable value was significant to our audit because the inventory balance represent a significant amount of the Group's total assets as at 31 December 2020.

The estimate of loss allowance on inventories is based on the age of these inventories, prevailing market conditions in the water treatment and process industries and historical allowance experiences which require management's judgement. Management applies particular judgement in the areas relating to inventory allowance based on expected inventory sales. This methodology relies upon assumptions made in determining appropriate allowance percentages for each aged categories of inventory.

For the samples selected our audit procedures included (a) the checking of the net realisable value of the inventories by comparing cost to subsequent selling prices; and (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant build up of aged inventories and assessing the reasonableness of the allowance for inventories. We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory allowances by assessing the Group's inventory allowance policy, as well as expectations for future sales and inventory management plans.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, 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.

INDEPENDENT AUDITOR'S REPORT

to the Members of PAN ASIAN HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

INDEPENDENT AUDITOR'S REPORT

to the Members of PAN ASIAN HOLDINGS LIMITED

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Yeow Thuan Wee.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2021

Engagement partner – effective from year ended 31 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2020

		Group	
	Notes	2020 \$'000	2019 \$'000
Revenue	5	22,927	23,372
Cost of sales		(16,002)	(15,445)
Gross profit		6,925	7,927
Interest income		22	5
Other income and gains	6	1,472	284
Marketing and distribution costs	7	(2,798)	(2,916)
Administrative expenses	7	(3,882)	(4,191)
Finance costs	9	(229)	(235)
Other losses	6	(1,248)	(356)
Share of (loss) profit from equity-accounted associate		(9)	115
Share of (loss) profit from equity-accounted joint ventures		(105)	22
Profit before tax		148	655
Income tax expense	10	(397)	(219)
(Loss) / profit net of tax		(249)	436
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gain / (loss)		19	(198)
– Reclassification to profit or loss arising from disposal of subsidiary		23	–
Other comprehensive income / (loss) for the year, net of tax		42	(198)
Total comprehensive (loss) / income		(207)	238
(Loss) / profit attributable to owners of the parent, net of tax		(249)	408
Profit attributable to non-controlling interests, net of tax		–	28
(Loss) / profit net of tax		(249)	436
Total comprehensive (loss) / income attributable to owners of the parent		(207)	210
Total comprehensive income attributable to non-controlling interests		–	28
Total comprehensive (loss) / income		(207)	238
(Loss) / profit per share			
		Cents	Cents
Basic and diluted	11	(0.12)	0.19

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

STATEMENTS OF FINANCIAL POSITION

Year Ended 31 December 2020

		Group		Company	
	Notes	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	10,980	9,315	4,004	2,767
Right-of-use assets	14	739	96	–	–
Investments in subsidiaries	15	–	–	3,236	2,916
Investments in associate	16	190	199	–	–
Investments in joint ventures	17	58	163	–	–
Land use rights	18	–	–	–	–
Other assets, non-current	19	151	26	18	18
Total non-current assets		12,118	9,799	7,258	5,701
Current assets					
Asset held for sale	13	395	2,591	653	2,909
Inventories	20	1,155	1,791	261	92
Trade and other receivables, current	21	7,945	6,682	6,092	6,613
Contract assets, current	19	965	933	–	–
Other assets, current	19	1,197	899	21	365
Cash and cash equivalents	22	5,225	5,563	656	1,412
Total current assets		16,882	18,459	7,683	11,391
Total assets		29,000	28,258	14,941	17,092
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	23	15,300	15,300	15,300	15,300
Other reserves	24	(170)	(233)	–	–
Retained earnings / (accumulated losses)		128	763	(2,140)	(1,626)
Equity, attributable to owners of the parent		15,258	15,830	13,160	13,674
Non-current liabilities					
Other financial liabilities, non-current	25	3,887	3,675	–	–
Lease liabilities, non-current	27	670	100	108	–
Total non-current liabilities		4,557	3,775	108	–

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

Year Ended 31 December 2020

	<u>Notes</u>	<u>Group</u>		<u>Company</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		\$'000	\$'000	\$'000	\$'000
<u>Current liabilities</u>					
Liabilities associated with assets held for sale	13	326	590	–	–
Lease liabilities, current	27	361	120	33	–
Income tax payable		257	73	–	–
Other financial liabilities, current	25	957	541	–	–
Contract liabilities, current	26	751	362	–	–
Trade and other payables, current	28	6,533	6,967	1,640	3,418
Total current liabilities		<u>9,185</u>	<u>8,653</u>	<u>1,673</u>	<u>3,418</u>
Total liabilities		<u>13,742</u>	<u>12,428</u>	<u>1,781</u>	<u>3,418</u>
Total equity and liabilities		<u>29,000</u>	<u>28,258</u>	<u>14,941</u>	<u>17,092</u>

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

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 December 2020

Group:	Total equity \$'000	Non- controlling interests \$'000	Attributable to parent subtotal \$'000	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000
Current year:						
Opening balance at 1 January 2020	15,830	–	15,830	15,300	763	(233)
Changes in equity:						
Total comprehensive (loss) / income for the year	(207)	–	(207)	–	(249)	42
Transfer to statutory reserve	21	–	21	–	(23)	44
Dividends paid (Note 23A)	(386)	–	(386)	–	(386)	–
Disposal of subsidiary with a change in control	–	–	–	–	23	(23)
Closing balance at 31 December 2020	15,258	–	15,258	15,300	128	(170)
Previous year:						
Opening balance at 1 January 2019	15,581	(6)	15,587	15,300	366	(79)
Changes in equity:						
Total comprehensive income / (loss) for the year	238	28	210	–	408	(198)
Transfer to statutory reserve	33	–	33	–	(11)	44
Disposal of subsidiary with a change in control	(22)	(22)	–	–	–	–
Closing balance at 31 December 2019	15,830	–	15,830	15,300	763	(233)

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Year Ended 31 December 2020

<u>Company:</u>	<u>Total equity</u> \$'000	<u>Share capital</u> \$'000	<u>Accumulated losses</u> \$'000
Current year:			
Opening balance at 1 January 2020	13,674	15,300	(1,626)
Changes in equity:			
Total comprehensive loss for the year	(128)	–	(128)
Dividends paid (Note 23A)	(386)	–	(386)
Closing balance at 31 December 2020	13,160	15,300	(2,140)
Previous year:			
Opening balance at 1 January 2019	13,173	15,300	(2,127)
Changes in equity:			
Total comprehensive income for the year	501	–	501
Closing balance at 31 December 2019	13,674	15,300	(1,626)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2020

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	148	655
Adjustment for:		
Amortisation of land use rights	14	57
Depreciation of property, plant and equipment	735	754
Depreciation of right-of-use assets	224	83
Interest income	(22)	(5)
Interest expense	229	235
(Gains) / losses on disposal of subsidiaries, net (Note 15A)	(730)	44
Losses on disposal of associate, net	–	29
Gains on disposal of plant and equipment, net	(173)	(30)
Share of loss / (profit) from equity-accounted associate	9	(115)
Share of loss / (profit) from equity-accounted joint ventures	105	(22)
Operating cash flow before changes in working capital	539	1,685
Trade and other receivables	(1,435)	3,858
Contract assets	(32)	(933)
Other assets	(1,358)	21
Inventories	636	741
Trade and other payables	(774)	(1,709)
Contract liabilities	389	362
Net cash flows (used in) / from operations	(2,035)	4,025
Income taxes (paid) / refunded	(200)	28
Net cash flows (used in) / from operating activities	(2,235)	4,053
<u>Cash flows from investing activities</u>		
Disposal of subsidiaries (net of cash disposed) (Note 15A)	2,462	(19)
Increase of investment in joint venture	–	(40)
Interest received	22	5
Proceeds from disposal of plant and equipment	263	213
Purchase of property, plant and equipment	(473)	(398)
Net cash flows from / (used) in investing activities	2,274	(239)
<u>Cash flows from financing activities</u>		
Dividends paid	(386)	–
Increase in borrowings	5,000	486
Interest paid	(194)	(230)
Lease liability – principal and interest portion paid	(315)	(261)
Loans and borrowings paid	(4,372)	(1,001)
Net cash flows used in financing activities	(267)	(1,006)
Net (decrease) / increase in cash and cash equivalents	(228)	2,808
Effect of exchange rate changes on cash and cash equivalent	59	(82)
Cash and cash equivalents, statement of cash flows, beginning balance	5,563	2,837
Cash and cash equivalents, statement of cash flows, ending balance		
(Note 22A)	5,394	5,563

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as “parent”), its subsidiaries and the Group’s interest in associates and joint ventures (the “Group”).

All financial information have been rounded to the nearest thousand (\$’000), except when otherwise indicated.

The board of directors approved and authorised these financial statements for issue on the date of the statement of directors. The directors have the power to amend and reissue the financial statements.

The Company’s principal activities are those relating to investment holding, providing management services to its investees, supply of piping systems and related accessories for use in water and wastewater infrastructure developments.

The Company is listed on Catalist which is a shares market on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 15 below.

The registered office is 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407. The Company is situated in Singapore.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

1. General (cont'd)

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of comprehensive income is not presented.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties.

An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer.

Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services – Revenue from services orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Distinct goods or services created over time – For long-term service contracts and projects for constructing, manufacturing or developing an asset the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used relative to the total expected inputs to the satisfaction of that performance obligation.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Other income

Rental income is recognised from operating leases as income on either a straight-line basis. Another systematic basis is used if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Interest income is recognised using the effective interest method.

Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is deducted in calculating the carrying amount of the asset and therefore the grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold land and properties	–	Over the terms of lease that are approximately 2%.
Plant and equipment	–	10% to 33.33%.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Rights-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment.

Land use rights

Land use rights under operating leases are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses on a straight-line basis over the remaining lease period of 48 years.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases of lessee

Where a lease arrangement is identified, a liability to the lessor is recognised as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability. Finance charges are recorded as an expense. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases with a term of 12 months or less and leases for low value are not recorded as a liability and lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associates (cont'd)

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with the financial reporting standard on Investments in associates and joint ventures (as described above for associates).

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Joint arrangements – joint venture (cont'd)

In the Company's separate financial statements, an investment in a joint venture is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

There were no business combinations during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Carrying amounts of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) 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. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

The 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. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year of the Group and the Company were approximately \$1,155,000 (2019: \$1,791,000) and \$261,000 (2019: \$92,000) respectively.

Allowance for trade and other receivables:

The entity has few customers and which can be graded as low risk individually. These trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 21 on trade and other receivables.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Income tax amounts:

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 10 on income tax.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the specific asset or class of assets affected by the assumption of the Group and the Company were approximately \$10,980,000 (2019: \$9,315,000) and \$4,004,000 (2019: \$2,767,000) respectively.

Measurement for impairment of subsidiaries:

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

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3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

Richard Koh Chye Heng holds one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year. By virtue of Xu Jia Zu Holdings Pte. Ltd.'s Constitution, he has, or is deemed to have, the ability to exercise dominant influence over the parent company as well as the Company.

3A. Members of a Group:

<u>Name</u>	<u>Relationship</u>	<u>Country of incorporation</u>
Xu Jia Zu Holdings Pte. Ltd.	Ultimate parent company and immediate parent company	Singapore

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

Related parties in these financial statements refers to the companies with common director who have significant influence.

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

3. Related party relationships and transactions (cont'd)

3B. Related party transactions (cont'd):

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Director:</u>		
Professional fee expense	<u>–</u>	<u>4</u>
<u>Other related parties:</u>		
Factory rental expense	300	240
Rental of manufacturing equipment expense	100	160
Royalty fees expense	42	28
Purchases of goods	276	–
Professional fee expense	<u>8</u>	<u>–</u>

3C. Key management compensation:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Salaries and other short-term employee benefits	<u>1,957</u>	<u>1,885</u>

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Remuneration of directors of the Company	777	737
Remuneration of directors of the subsidiaries	328	319
Fees to directors of the Company	116	137
Fees to a firm in which a director is a member	<u>6</u>	<u>4</u>

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchase of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	<u>Subsidiaries</u>	
	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Other receivables (payables):</u>		
Balance at beginning of the year – net debit	7,873	9,031
Amounts paid in and settlement of liabilities on behalf of the Company	(286)	–
Amounts paid out and settlement of liabilities on behalf of subsidiaries	–	342
Capitalisation of receivable due from PAFT as investment in a subsidiary ^(#)	–	(1,500)
Balance at end of the year – net debit	<u>7,587</u>	<u>7,873</u>
Presented in the statement of financial position as follows:		
Other receivables (Note 21)	8,483	8,774
Other payables (Note 28)	(896)	(901)
Net	<u>7,587</u>	<u>7,873</u>

(#) During the reporting year ended 31 December 2019, the Company increased its investment in its wholly owned subsidiary, Pan Asian Flow Technology Pte Ltd (“PAFT”) from \$500,000 to \$2,000,000 via the capitalisation of \$1,500,000 receivable owing from PAFT.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

3. Related party relationships and transactions (cont'd)

3D. Other receivables from and other payables to related parties: (cont'd)

	Ultimate parent company			
	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Other payables:</u>				
Balance at beginning of the year	(1,591)	(1,657)	(1,591)	(1,657)
Amounts paid out and settlement of liabilities on behalf of ultimate parent company	1,121	66	1,121	66
Balance at end of the year (Note 28)	<u>(470)</u>	<u>(1,591)</u>	<u>(470)</u>	<u>(1,591)</u>
	Related parties			
	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Other receivables (payables):</u>				
Balance at beginning of the year	853	215	25	–
Amounts paid in and settlement of liabilities on behalf of the Company	–	(77)	–	–
Amounts paid out and settlement of liabilities on behalf of the related parties	1,133	715	2	25
Balance at end of the year – net debit	<u>1,986</u>	<u>853</u>	<u>27</u>	<u>25</u>
Presented in the statement of financial position as follows:				
Other receivables (Note 21)	1,993	1,326	27	25
Other payables (Note 28)	(7)	(473)	–	–
Net	<u>1,986</u>	<u>853</u>	<u>27</u>	<u>25</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

4. Financial information by operating segment

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) General trading, (2) Engineering solutions, (3) Valves and (4) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (1) General trading ("GT") – Trading of water piping materials and related accessories;
- (2) Engineering solutions ("ES") – Provision of specialised products to water infrastructure products;
- (3) Valves ("VA") – Valves for municipal and industrial applications; and
- (4) Others – Supply of parts and accessories in Oil & Gas industry and other non-water related products.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate a segment's operating results is gross profit.

Segment assets consist principally of trade receivables that are directly attributable to a segment.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

4. Financial information by operating segment (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	<u>GI</u>		<u>ES</u>		<u>VA</u>		<u>Others</u>		<u>Unallocated</u>		<u>Group</u>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Revenue by segment</u>												
External revenue	14,989	10,146	6,059	7,913	1,789	3,459	90	1,854	-	-	22,927	23,372
Segment results :-												
Gross profit	5,238	4,413	1,448	2,808	185	691	54	15	-	-	6,925	7,927
Interest income							-	-	22	5	22	5
Finance costs							-	-	(229)	(235)	(229)	(235)
Amortisation of land use rights							(14)	(57)	-	-	(14)	(57)
Depreciation of property, plant and equipment							-	-	(735)	(754)	(735)	(754)
Depreciation of right-of-use assets							-	-	(224)	(83)	(224)	(83)
Employee benefits expenses							-	-	(4,044)	(4,142)	(4,044)	(4,142)
Unallocated corporate expenses							-	-	(1,663)	(2,071)	(1,663)	(2,071)
Other gains / (loss)							-	-	224	(72)	224	(72)
Share of profit (loss) from equity-accounted associate							-	-	(9)	115	(9)	115
Share of profit (loss) from equity-accounted joint ventures							-	-	(105)	22	(105)	22
Profit before tax							-	-			148	655
Income tax expenses											(397)	(219)
(Loss) / profit net of tax											(249)	436

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

4. Financial Information by operating segment (cont'd)

4C. Assets, liabilities and reconciliations

	<u>GI</u>		<u>ES</u>		<u>VA</u>		<u>Others</u>		<u>Unallocated</u>		<u>Group</u>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Reportable segment assets</u>												
Trade and other receivables	4,328	2,866	883	973	610	599	2,124	2,244	—	—	7,945	6,682
Contract assets	131	131	834	802	—	—	—	—	—	—	965	933
Property, plant and equipment									10,980	9,315	10,980	9,315
Right of use assets									739	96	739	96
Cash and cash equivalents									5,225	5,563	5,225	5,563
Asset held for sale									395	2,591	395	2,591
Other assets									1,348	925	1,348	925
Others									1,403	2,153	1,403	2,153
Total assets											29,000	28,258
<u>Reportable segment liabilities</u>												
Trade and other payables									6,533	6,967	6,533	6,967
Other financial liabilities									4,844	4,216	4,844	4,216
Lease liabilities									1,031	220	1,031	220
Liabilities associated with assets held for sale									326	590	326	590
Others									1,008	435	1,008	435
Total liabilities											13,742	12,428
Capital expenditure									1,355	1,640	1,355	1,640

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

4. Financial information by operating segment (cont'd)

4D. Geographical information

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Singapore	11,979	12,975	11,232	9,508
China	1,683	2,876	756	100
Europe	474	1,628	–	–
Hong Kong	8,791	5,893	113	191
Japan	–	–	17	–
Subtotal for all foreign countries	10,948	10,397	886	291
Total	22,927	23,372	12,118	9,799

4E. Information about major customers

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Top 1 customer in GT segment	3,652	2,738

5. Revenue

Revenue from contracts with customers

#A. Revenue classified by type of good or service:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Sale of goods	20,987	21,787
Commission income	34	783
Services	1,906	802
Total revenue	22,927	23,372

#B. Revenue classified by duration of contract:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Short-term contracts – less than 12 months	21,021	22,570
Long-term contracts – over 12 months	1,906	802
Total revenue	22,927	23,372

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

5. Revenue (cont'd)

#C. Revenue classified by timing of revenue recognition:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Point in time	21,021	22,570
Over time	1,906	802
Total revenue	<u>22,927</u>	<u>23,372</u>

The revenue from sale of goods is recognised based on point in time. The customers are retailers and wholesalers. The revenue classified by geographical information are disclosed in Note 4D.

The commission income is from services recognised based on point in time. The customers are commercial consumers based in Singapore and overseas.

The long-term contracts varies between 2 to 5 years and are recognised over time by using the input method.

6. Other income and gains and (other losses)

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Amortisation of land use rights	–	(57)
Bad debts written off trade receivables	(157)	–
Foreign exchange adjustment (losses) / gains, net	(144)	9
Gain on disposal of plant and equipment, net	173	30
Gains / (loss) on disposal of subsidiaries, net (Note 15)	730	(44)
Loss on disposal of associate, net (Note 16)	–	(29)
Government grants ^(a)	434	28
Inventories write down reversal (Note 20)	–	39
Inventories written off	(11)	(216)
Net allowance for impairment on inventories (Note 20)	(271)	–
Net allowance for impairment on trade receivables – loss (Note 21)	(639)	(5)
Payables written back, net	78	–
Rental income	33	–
Write back of bad debts written off, net	5	35
Sundry income	19	143
Sundry expenses	(26)	(5)
Net	<u>224</u>	<u>(72)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

6. Other income and gains and (other losses) (cont'd)

	<u>Group</u>	
	<u>2020</u>	<u>2020</u>
	\$'000	\$'000
Presented in profit or loss as:		
Other income and gains	1,472	284
Other losses	(1,248)	(356)
Net	<u>224</u>	<u>(72)</u>

- (a) During the reporting year ended 31 December 2020, Job Support Scheme (JSS) was announced by the Singapore Government under the Covid-19 (Temporary Measures) Act 2020 to assist the company in retaining the local employees during this period of economic uncertainty. Government grants under Covid-19 (Temporary Measures) Act 2020 recognised during the year amounted to \$309,000.

7. Marketing and distribution costs, and administrative expenses

The major components include the following:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Marketing and distribution costs</u>		
Employee benefits expense (Note 8)	2,493	1,901
Depreciation of property, plant and equipment (Note 12)	<u>68</u>	<u>53</u>
<u>Administrative expenses</u>		
Employee benefits expense (Note 8)	1,546	2,194
Depreciation of property, plant and equipment (Note 12)	615	587
Depreciation of right-of-use assets (Note 14)	<u>224</u>	<u>83</u>

8. Employee benefits expense

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Employee benefits expense	3,624	3,578
Contributions to defined contribution plan	278	355
Other benefits	<u>142</u>	<u>209</u>
Total employee benefits expense	<u>4,044</u>	<u>4,142</u>

The employee benefits expense is charged under:

Administrative expenses (Note 7)	1,546	2,194
Cost of sales	5	47
Marketing and distribution costs (Note 7)	<u>2,493</u>	<u>1,901</u>
	<u>4,044</u>	<u>4,142</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

9. Finance costs

	Group	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Interest expense	194	230
Interest on lease liabilities (Note 27)	35	5
Total finance costs	<u>229</u>	<u>235</u>

10. Income tax

10A. Components of tax expense recognised in profit or loss include:

	Group	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Current tax expense:</u>		
Current tax expense	304	219
Under adjustments in respect of prior periods	93	33
Subtotal	<u>397</u>	<u>252</u>
<u>Deferred tax income:</u>		
Deferred tax income	-	(33)
Total income tax expense	<u>397</u>	<u>219</u>

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2019: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Profit before tax	148	655
Less: Share of loss / (profit) from equity-accounted associate	9	(115)
Less: Share of loss / (profit) from equity-accounted joint ventures	105	(22)
	<u>262</u>	<u>518</u>
Income tax expense at the above rate	45	88
Effect of different tax rates in different countries	(53)	(14)
Two-tiered profits tax regime	25	23
(Not liable to tax items) / non-deductible items	(29)	23
Deferred tax assets not recognised	295	96
Under adjustments in respect of prior periods	93	33
Other minor items	21	(30)
Total income tax expense	<u>397</u>	<u>219</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

10. Income tax (cont'd)

10A. Components of tax expense recognised in profit or loss include (cont'd):

There are no income tax consequences of individuals to owners of the Company.

The tax effect of major (not liable to tax) / non-deductible items include the following:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Amortisation on land use right	2	10
Depreciation on non-qualifying plant and equipment	92	56
Gain on disposal of non-qualifying plant and equipment	(24)	–
Inventories write down reversal	(5)	–
Government grants under the Covid-19 (Temporary Measures) Act 2020	(53)	–
Non-deductible expenses such as private car expenses	5	10
Net allowance for impairment on trade receivables	–	(34)

10B. Deferred tax balance recognised in profit or loss includes:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Excess of tax values over book value of property, plant and equipment	69	6
Tax loss carryforwards	66	149
Provisions	160	(6)
Reclassified to liabilities associated with asset held for sale	–	(20)
Deferred tax assets not recognised	(295)	(96)
Total deferred tax income recognised in profit or loss	–	33

10C. Deferred tax balance in the statement of financial position:

Deferred tax balances recognised in the balance sheet are as follows:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Deferred tax (liabilities) / assets recognised in profit or loss:</u>		
Excess of tax values over book value of property, plant and equipment	130	61
Tax loss carryforwards	996	930
Provisions	572	412
Deferred tax assets not recognised	(1,698)	(1,403)
Net deferred tax liabilities	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

10. Income tax (cont'd)

10C. Deferred tax balance in the statement of financial position (cont'd):

	Company	
	2020	2019
	\$'000	\$'000
<u>Deferred tax assets / (liabilities):</u>		
Excess of tax values over book value of property, plant and equipment	32	(2)
Tax loss carryforwards	788	824
Provisions	563	11
Deferred tax assets not recognised	(1,383)	(833)
Net deferred tax liabilities	<u>-</u>	<u>-</u>

It is impracticable to estimate the amount expected to be settled or used within one year.

The above deferred tax assets for the tax losses that have not been recognised in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

Temporary differences arising in connection with interests in subsidiaries and joint ventures are insignificant.

11. (Losses) / earnings per share

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

	2020	2019
	\$'000	\$'000
A. Numerator: loss attributable to equity:		
Continuing operations:		
Total basic and diluted (losses) / earnings attributable to owners of the parent	<u>(249)</u>	<u>408</u>
	No. of shares '000	No. of shares '000
B. Denominator: weighted average number of equity shares		
Basic and diluted	<u>214,202</u>	<u>214,202</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

11. (Losses) / earnings per share (cont'd)

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

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

12. Property, plant and equipment

<u>Group</u>	<u>Construction in-progress</u> \$'000	<u>Leasehold land and properties</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Total</u> \$'000
<u>Cost:</u>				
At 1 January 2019	2,842	5,233	4,398	12,473
Additions	1,120	–	520	1,640
Transfer to leasehold property	(3,667)	3,667	–	–
Reclassified to asset held for sale	(287)	–	(82)	(369)
Disposals	–	–	(646)	(646)
Foreign exchange adjustments	(8)	–	(52)	(60)
At 31 December 2019	–	8,900	4,138	13,038
Additions	17	–	1,338	1,355
Reclassified from asset held for sale	–	1,190	–	1,190
Reclassified to asset held for sale	–	–	(52)	(52)
Disposals	–	–	(2,678)	(2,678)
Foreign exchange adjustments	–	–	80	80
At 31 December 2020	17	10,090	2,826	12,933
<u>Accumulated depreciation:</u>				
At 1 January 2019	–	289	3,239	3,528
Depreciation for the year	–	319	435	754
Reclassified to asset held for sale	–	–	(51)	(51)
Disposals	–	–	(463)	(463)
Foreign exchange adjustments	–	–	(45)	(45)
At 31 December 2019	–	608	3,115	3,723
Depreciation for the year	–	385	350	735
Reclassified from asset held for sale	–	38	–	38
Reclassified to asset held for sale	–	–	(12)	(12)
Disposals	–	–	(2,588)	(2,588)
Foreign exchange adjustments	–	–	57	57
At 31 December 2020	–	1,031	922	1,953

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

<u>Group</u>	<u>Construction in-progress</u> \$'000	<u>Leasehold land and properties</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Total</u> \$'000
<u>Net book value:</u>				
At 1 January 2019	2,842	4,944	1,159	8,945
At 31 December 2019	–	8,292	1,023	9,315
At 31 December 2020	17	9,059	1,904	10,980

Allocation of the depreciation expense and impairment loss are as follows:

	<u>Group</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000
Cost of sales	52	114
Marketing and distribution costs (Note 7)	68	53
Administrative expenses (Note 7)	615	587
Total	735	754

Assets held in trust

Leasehold properties of \$3,436,000 (2019: \$3,499,000), classified under property, plant and equipment and asset held for sale under SFRS(I) 5 of \$3,463,000 and \$Nil (see Note 13) (2019: \$2,461,000 and \$1,038,000) respectively, are held in trust for the Group and the Company by the ultimate parent company, Xu Jia Zu Holdings Pte. Ltd.

Leasehold properties of \$114,000 classified under property, plant and equipment (2019: \$114,000 classified under, asset held for sale under SFRS(I) 5 (see Note 13)) are held in trust for the Group by the external parties.

Assets held under bank loans and finance leases

As at the end of the reporting year, the group's leasehold properties with net carrying amount of \$5,508,000 (2019: \$5,831,000) are mortgaged for bank facilities (Note 25B).

Certain motor vehicles are under finance lease agreements (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

<u>Company</u>	<u>Leasehold properties</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Total</u> \$'000
<u>Cost:</u>			
At 1 January 2019	2,644	2,109	4,753
Additions	–	11	11
Disposal	–	(332)	(332)
At 31 December 2019	2,644	1,788	4,432
Additions	–	480	480
Reclassified from asset held for sale	–	1,076	1,076
Disposal	–	(1,170)	(1,170)
At 31 December 2020	2,644	2,174	4,818
<u>Accumulated depreciation:</u>			
At 1 January 2019	138	1,626	1,764
Depreciation for the year	45	188	233
Disposal	–	(332)	(332)
At 31 December 2019	183	1,482	1,665
Depreciation for the year	63	178	241
Reclassified from asset held for sale	38	–	38
Disposal	–	(1,130)	(1,130)
At 31 December 2020	284	530	814
<u>Company</u>			
<u>Net book value:</u>			
At 1 January 2019	2,506	483	2,989
At 31 December 2019	2,461	306	2,767
At 31 December 2020	2,360	1,644	4,004

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13. Assets held for sale

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Assets held for sale:</u>				
Property in Malaysia held for disposal (i)	–	114	–	–
Property in Singapore held for disposal (ii)	–	1,038	–	1,038
Investment held for sale (iii)	395	1,439	653	1,871
	<u>395</u>	<u>2,591</u>	<u>653</u>	<u>2,909</u>
<u>Liabilities associated with assets held for sale:</u>				
Investment held for sale (iii)	<u>326</u>	<u>590</u>	<u>–</u>	<u>–</u>

- (i) The property in Malaysia was acquired by the Group via an auction sale with a view to dispose and accordingly, the net carrying value was presented as property held for sale under “Asset held for disposal under SFRS(I) 5”. The property is held in trust by a third party. In view of changes in management intention to use property for own internal usage, the property was reclassified back to property, plant and equipment (see Note 12).
- (ii) During the reporting year ended 31 December 2019, a property in Singapore, was presented as asset held for sale under SFRS(I) 5 following the decision of management to sell the property in Singapore during the reporting year ended 31 December 2017. In view of changes in management intention during the year to use property for own internal usage, the property was reclassified back to property, plant and equipment during reporting year ended 31 December 2020 (see Note 12).
- (iii) Following realignment with the Group’s operation strategy, the Group commenced liquidation of PA Water Solutions (Shanghai) Limited (“PASH”) and Duvalco Valves & Fittings (Wuxi) Co., Ltd (“DVF Wuxi”). Accordingly, the net carrying amount of PASH’s and DVF Wuxi cost of investment of the Company and the carrying amount of PASH’s and DVF Wuxi’s assets and liabilities of the Group was reclassified to assets held for sale and liabilities associated with assets held for sale respectively during the reporting year ended 31 December 2020. See Note 15 ⁽⁹⁾.

NOTES TO THE FINANCIAL STATEMENTS

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14. Right-of-use assets

The right-to-use assets have been included in statement of financial position. The details are as follows:

<u>Group</u>	Factory and warehouse <u>space</u> \$'000	Office <u>space</u> \$'000	<u>Total</u> \$'000
<u>Cost:</u>			
At 1 January 2019	–	–	–
Adoption of SFRS(I) 16 Leases on 1 January 2019	53	126	179
At 31 December 2019	53	126	179
Additions	866	–	866
Foreign exchange adjustments	–	(1)	(1)
At 31 December 2020	919	125	1,044
<u>Accumulated depreciation:</u>			
At 1 January 2019	–	–	–
Depreciation for the year	29	54	83
At 31 December 2019	29	54	83
Depreciation for the year	169	55	224
Foreign exchange adjustments	–	(2)	(2)
At 31 December 2020	198	107	305
<u>Carrying value:</u>			
At 1 January 2019	53	126	179
At 31 December 2019	24	72	96
At 31 December 2020	721	18	739

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	Factory and warehouse <u>space</u>	<u>Office space</u>
Number of right-of-use assets	2	1
Remaining term – range (years)	0.8 to 2.5	0.3
Remaining term – average (years)	1.7	0.3
Weighted average incremental borrowing rate applied to lease liabilities – 2020	4.58%	4.15%
Weighted average incremental borrowing rate applied to lease liabilities – 2019	4.15%	4.15%

The depreciation expense is charged to administrative expenses (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

14. Right-of-use assets (cont'd)

For the underlying assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required annually.

Impairment loss allowance is provided if it is determined that the right-of-use asset is impaired. The right-of-use asset for operating leases in existence at 1 January 2019 include initial direct costs.

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions, and leased assets which have subsequently been sub-leased). For property leases management has elected to measure the right-of-use asset as if the new standard had been applied since the start of the lease, but using the incremental borrowing rate at 1 January 2019, with the difference between the right-of-use asset and the lease liability taken to retained earnings.

15. Investments in subsidiaries

	Company	
	2020	2019
	\$'000	\$'000
At cost:		
Balance at beginning of the year	6,461	9,641
Additions	650	1,500
Disposal ⁽⁹⁾	(394)	(180)
Reclassified to asset held for sale ⁽⁷⁾ (Note 13)	(330)	(4,500)
	<u>6,387</u>	<u>6,461</u>
Allowance for impairment	(3,151)	(3,545)
Balance at the end of the year	<u>3,236</u>	<u>2,916</u>
Movements in allowance for impairment:		
Balance at beginning of the year	3,545	6,174
Disposal of subsidiary ⁽⁹⁾	(394)	–
Reclassified to asset held for sale ⁽⁷⁾ (Note 13)	–	(2,629)
Balance at end of the year	<u>3,151</u>	<u>3,545</u>
Net book value of subsidiaries	<u>2,953</u>	<u>4,073</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given below:

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)</u>	<u>Cost in books of Group</u>		<u>Effective percentage of equity held by Group</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	%	%
Pan Asian Flow Technology Pte. Ltd. ⁽¹⁾ Singapore Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Chio Lim LLP)	2,000	2,000	100	100
Duvalco Valves & Fittings Pte. Ltd. ⁽¹⁾ Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	3,000	3,000	100	100
Sacha Inchi Pte. Ltd. ^{(1),(5)} Singapore General importers and exporters for teas (RSM Chio Lim LLP)	–	–	100	100
Pan Asian Water Solutions (HK) Limited ⁽²⁾ Hong Kong Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Hong Kong)	586	586	100	100
PA Water Solutions (Shanghai) Limited ^{(3),(9)} People's Republic of China General importers and exporters of pipes and valves (Zhong Peng Public Accountants)	–	330	100	100
Pan Asian Manufacturing (Tianjin) Co. Ltd ^{(4),(7)} People's Republic of China Manufacturing and supply of pipes, fittings, valves and other related accessories	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given below: (cont'd)

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)</u>	<u>Cost in books of Group</u>		<u>Effective percentage of equity held by Group</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	%	%
PT. Pan Asian Water Solutions ⁽⁴⁾ Indonesia Exporting and importing of products of water treatment (PT. ASA Indonesia)	151	151	100	100
W.D. Moore (2013) Pty Ltd ^{(4),(7),(8)} Australia Supply of windmill and solar-powered water pumping systems (Optima Audit Pty Ltd)	–	394	100	100
Wuhu Duvalco Valves & Fittings Co., Ltd ⁽³⁾ People's Republic of China Manufacturing of valves and fittings (Beijing Xinghua CPA)	650	–	100	–
Total in books of the Company	<u>6,387</u>	<u>6,461</u>		
<u>Held by Pan Asian Technology Pte. Ltd.</u>				
Pan Asian Technology Sdn Bhd ^{(4),(5),(6)} Malaysia Wholesale of a variety of goods and engineering services	–	–	100	–
<u>Held by Duvalco Valves and Fittings Pte. Ltd.</u>				
Duvalco B.V. ^{(4),(6)} Netherlands Manufacturing of valves and fittings	1,006	1,006	100	100
Duvalco Valves & Fittings (Wuxi) Co., Ltd ^{(3),(9)} People's Republic of China Manufacturing of valves and fittings (Kreston Jiangsu Gongqing CPA)	–	430	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

The listing of and information on the subsidiaries are given below: (cont'd)

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)</u>	<u>Cost in books</u>		<u>Effective percentage</u>	
	<u>of Group</u>		<u>of equity held</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	%	%
<u>Held by Sacha Inchi Pte. Ltd.</u>				
Sacha Inchi (Thailand) Co., Ltd. ^{(4), (5)}	–	–	100	100
Thailand				
General trading				

- (1) Audited by RSM Chio Lim LLP.
- (2) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.
- (3) Other independent auditor. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.
- (4) Not audited, as it is immaterial. The unaudited management financial statements at 31 December 2020 have been used for consolidation purposes.
- (5) Cost of investment is less than \$1,000.
- (6) Not required to be audited by the laws of local jurisdiction.
- (7) On 30 October 2019, the Group entered into a Sales and Purchase agreement (the “proposed disposal”) to dispose its entire shareholding interest in its wholly owned subsidiary, Pan Asian Manufacturing (Tianjin) Co. Ltd (“PAM”) to a third party buyer. The proposed disposal was approved by the shareholders through an Extra Ordinary General Meeting held on 18 December 2019. Accordingly, the net carrying amount of PAM’s cost of investment of the Company is \$1,871,000 (represented by cost of investment of \$4,500,000 net of allowance for impairment of \$2,629,000) was reclassified to investment held for sale in the reporting year 2019 (Note 13). The disposal was completed during the reporting year ended 31 December 2020, consequently, a net gain on disposal of \$746,000 was recognised in the profit or loss included in other income and gains (see Notes 6 and 15A) in the reporting year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

- (8) During the reporting year ended 31 December 2019, the Group commenced liquidation of W.D. Moore (2013) Pty Ltd ("WDM"). The liquidation was completed during the reporting year ended 31 December 2020, consequently, a net loss on disposal of \$16,000 was recognised in the profit or loss included in the other losses (see Note 6) in the reporting year ended 31 December 2020.
- (9) During the reporting year ended 31 December 2020, the Group commenced liquidation of PA Water Solutions (Shanghai) Limited ("PASH") and Duvalco Valves & Fittings (Wuxi) Co., Ltd ("DVF Wuxi").

As required by Rule 716 of the Catalist Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

15A. Disposal of subsidiaries

2020:

The subsidiaries, Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAM") and W.D. Moore (2013) Pty Ltd ("WDM") was deconsolidated on 17 June 2020 and 22 January 2020 respectively.

The results of the subsidiaries (as mentioned above) for the previous reporting year and for the period from the beginning of the reporting year to the date of deregistration, which have been included in the consolidated financial statements, for the reporting year ended 31 December 2020 were as follows:

	<u>Group</u>	
	<u>At date of disposal in</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Revenue	-	-
Expenses	(40)	(19)
Other losses	(14)	(57)
Profit before tax before disposal	<u>(54)</u>	<u>(76)</u>
 <u>Presented as:</u>		
Gain on disposal of subsidiaries, included in profit or loss under other income and gains (Note 6)	<u>730</u>	
Net gain on disposal	<u>730</u>	

A net gain on disposal of \$730,000 from the de-consolidation being the consideration receivable on deregistration less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the transaction. The subsidiary's unaudited financial statements as at 31 March 2020 and 1 January 2020 respectively were used to determine the above gain / loss on disposal of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

15A. Disposal of subsidiaries (cont'd)

2020: (cont'd)

The carrying amount of the assets and liabilities of the subsidiaries at the date of deregistration are detailed as follows:

	<u>PAMTJ</u> \$'000	<u>WDM</u> \$'000	<u>Total</u> \$'000
Property, plant, and equipment	293	–	293
Land use rights	1,102	–	1,102
Trade and other receivables	–	530	530
Other assets	919	15	934
Cash and cash equivalents	13	2	15
Trade and other payables	(577)	(531)	(1,108)
Deferred taxation	(19)	–	(19)
Net carrying amount of assets disposed	1,731	16	1,747
Gain on disposal, net (Note 6)	746	(16)	730
Total consideration	<u>2,477</u>	<u>–</u>	<u>2,477</u>

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

	<u>PAMTJ</u> \$'000	<u>WDM</u> \$'000	<u>Total</u> \$'000
Cash consideration	2,477	–	2,477
Cash and cash equivalents disposed of	(13)	(2)	(15)
Net cash inflow	<u>2,464</u>	<u>(2)</u>	<u>2,462</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

15A. Disposal of subsidiaries (cont'd)

2019:

The subsidiary, PA Tech (Asia) Pte Ltd was deconsolidated on 1 August 2019.

The results of the subsidiary (as mentioned above) and the results for the previous reporting year and for the period from the beginning of the reporting year to the date of disposal, which have been included in the consolidated financial statements, for the reporting year ended 31 December 2019 were as follows:

	<u>Group</u>	
	<u>At date of disposal in</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Revenue	1,026	–
Expenses	(957)	(99)
Other gains	–	85
Profit / (loss) before tax before disposal	<u>69</u>	<u>(14)</u>
		<u>Group</u>
		<u>At date of disposal in</u>
		<u>2019</u>
		\$'000
<u>Presented as:</u>		
Loss on disposal of subsidiary, included in profit or loss under other losses (Note 6)		(44)
Net losses on disposal		<u>(44)</u>

A net loss on disposal of \$44,000 from the de-consolidation being the consideration receivable on disposal less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the transaction. The subsidiary's unaudited financial statements as at 31 July 2019 were used to determine the above loss on disposal of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

15. Investments in subsidiaries (cont'd)

15A. Disposal of subsidiaries (cont'd)

2019: (cont'd)

The carrying amount of the assets and liabilities of the subsidiary at the date of disposal are detailed as follows:

	<u>2019</u> \$'000
Cash and cash equivalents	19
Trade and other receivables	114
Other assets	164
Trade and other payables	(34)
Net carrying amount of assets disposed	263
Less: Non-controlling interests	(105)
Net assets disposed	158
Less: Waiver of amount payable by PAHL	(114)
Loss on disposal (Note 6)	(44)
Total consideration	– (a)

(a) Amount less than \$1,000.

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

	<u>Total</u> \$'000
Cash and cash equivalents disposed of	(19)
Net cash outflow	(19)

16. Investments in associate

	<u>2020</u> \$'000	<u>Group</u> <u>2019</u> \$'000
Movements in carrying value:		
Balance at beginning of the year	199	647
Disposal	–	(597)
Adjustment for share of unrealised income	–	34
Share of (loss) / profits for the year	(9)	115
Balance at end of year	190	199
Share of net book value of associates	190	199

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

16. Investments in associate (cont'd)

<u>Name of associates, country of incorporation, place of operations and principal activities (and independent auditor)</u>	<u>Cost in books</u>		<u>Effective percentage of</u>	
	<u>of Group</u>		<u>equity held</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	%	%
<u>Held by Pan Asian Flow Technology Pte. Ltd.</u>				
SPJV Integrated LLP ^{(1),(2)}	40	40	10	10
Singapore				
Building construction				

⁽¹⁾ Audited by RSM Chio Lim LLP.

⁽²⁾ Although the Group does not own, directly or indirectly through its subsidiaries, 20 percent or more of the voting or potential voting power of the investee, the investee is regarded as an associate because the Company is able to exercise significant influence by virtue of an agreement with the other shareholder of the investee.

There are associates that are considered not material to the reporting entity. The summarised financial information of all the non-material associates and the aggregate amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associates are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Aggregate for all non-material associates:</u>		
(Loss) / profit from continuing operations	(94)	1,146
Total comprehensive (loss) / income	(94)	1,146
Net assets of the associate	1,899	1,993

There are no significant restrictions on the ability of the major associates to transfer funds to the reporting entity in the form of cash dividends.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

16. Investments in associate (cont'd)

16A. Disposal of associate

The associate, DWK (Tianjin) Co. Limited ("DWKTJ") was deconsolidated on 1 January 2019.

A net loss on disposal of \$29,000 was recognised in the profit or loss included under other losses (Note 6) following the de-consolidation, being the consideration receivable on disposal less the net carrying amount of the investment in joint ventures and receivables from and payable to the associate. No tax charge or credit arose from the transaction. The associate's unaudited financial statements as at 31 December 2018 were used to determine the above gain / loss on disposal of the subsidiary.

The carrying amount of the assets and liabilities of the associate at the date of disposal are detailed as follows:

	<u>DWKTJ</u> \$'000
Net carrying amount of assets disposed	596
Loss on disposal (Note 6)	(29)
Total consideration	<u>567</u>

The total consideration represents the sales price that will be settled over a period of three years.

Included in the trade and other receivables balance (see Note 21) as at 31 December 2019 is the amount receivable of \$567,000 from the buyers of DWKTJ. The amount receivable represents the net present value of the aggregate consideration of the disposal of associate of RMB3,125,000 (approximately \$625,000) discounted at a rate of 5% assuming that it is to be settled progressively over the next one to three financial years. During the reporting year ended 31 December 2020, management has assessed that there is indication of impairment, accordingly, an allowance of impairment of \$567,000 has been recognised in the profit or loss included in other losses (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

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17. Investments in joint ventures

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Movements in carrying value:		
Balance at beginning of year	163	101
Additions	–	40
Share of (losses) / profits for the year	(105)	22
Balance at end of year	<u>58</u>	<u>163</u>
Carrying value:		
Unquoted equity share at cost	90	90
Share of post-acquisition of (losses) / profits	(32)	73
	<u>58</u>	<u>163</u>
Share of net book value of joint ventures	<u>236</u>	<u>157</u>
<u>Name of joint ventures, country of incorporation, place of operations and principal activities (and independent auditor)</u>	<u>Effective percentage of equity held by the Group</u>	
	<u>2020</u>	<u>2019</u>
	%	%
<u>Held by Pan Asian Flow Technology Pte. Ltd.</u>		
Muhr Asia Pte. Ltd. ⁽¹⁾	50	50
Singapore		
Manufacture and repair of water / waste water treatment equipment		
<u>Held by Duvalco Valves & Fittings Pte. Ltd.</u>		
Duvalco UK Limited ⁽²⁾	50	50
United Kingdom		
Selling valves and pipes within United Kingdom		
<u>Held by MUHR Asia Pte. Ltd.</u>		
Wuhu MUHR Manufacturing Co Ltd ^{(3), (4)}	50	–
People's Republic of China		
Manufacture and sales of flood control related products		
Beijing Xinghua CPA		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

17. Investments in joint ventures (cont'd)

- (1) Audited by RSM Chio Lim LLP.
- (2) Not audited as it is immaterial. The unaudited management financial statements as at 31 December 2020 have been used for consolidation purposes.
- (3) On 22 July 2020, a joint venture of the Group, MUHR Asia Pte. Ltd ("MUHR Asia"), incorporated a wholly owned subsidiary, Wuhu MUHR Manufacturing Co Ltd. ("Wuhu MUHR") with a paid up capital of \$125,000.
- (4) During the reporting year ended 31 December 2020, MUHR Asia increased their investment in its subsidiary, Wuhu MUHR Manufacturing Co Ltd by \$450,000 by way of subscription of 450,000 new ordinary shares of \$1.00 each.

There are joint ventures that are considered not material to the reporting entity. The summarised financial information of all the non-material joint ventures and the aggregate amounts (and not the reporting entity's share of those amounts) based on the financial statements of the joint venture are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Aggregate for all non-material joint ventures:</u>		
Assets	3,334	1,005
Liabilities	2,863	690
Revenue	654	1,510
(Loss) / profit for the year	<u>(428)</u>	<u>44</u>

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group in the form of cash dividends.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

18. Land use rights

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<u>Cost:</u>		
At beginning of the year	–	2,755
Foreign exchange adjustments	–	(77)
Reclassified to asset held for sale ^(a)	–	(2,678)
At end of the year	–	–
<u>Accumulated amortisation:</u>		
At beginning of the year	–	1,571
Amortisation for the year included in other losses (Note 6)	–	57
Foreign exchange adjustments	–	(45)
Reclassified to asset held for sale ^(a)	–	(1,583)
At end of the year	–	–
Balance at beginning of the year	–	1,184
Balance at end of the year	–	–

The land use rights are for a piece of land situated in Tianjin Ecocity, People's Republic of China. The land use rights expire in year 2060 and are not transferrable.

- ^(a) As disclosed in Note 15⁽⁷⁾, following shareholder's approval of the proposed disposal of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAM"), during the reporting year ended 31 December 2019, the net carrying amount of PAM's cost of investment of the Company and the carrying amount of PAM's assets and liabilities of the Group were reclassified to assets held for sale and liabilities associated with assets held for sale respectively in Note 13. Included in PAM's assets is the net carrying value of the land use rights amounting to \$1,095,000 as at the date of reclassification.

19. Other assets

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Non-current:</u>				
Club memberships at cost	45	45	45	45
Prepayments	133	8	–	–
Less allowance for impairment	(27)	(27)	(27)	(27)
	151	26	18	18

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19. Other assets (cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Current:</u>				
Prepayments	944	832	10	354
Deposits to secure services	253	67	11	11
Subtotal	1,197	899	21	365
Contract assets (Note 19A)	965	933	–	–
	<u>2,162</u>	<u>1,832</u>	<u>21</u>	<u>365</u>
<u>Movements in above allowance:</u>				
Balance at beginning and end of the year	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>

The above club memberships are held in trust by certain directors and employees.

The carrying value of club memberships is at cost. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently, it is carried at cost less allowance for impairment.

19A. Contract assets

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>The amount is made up of:</u>				
Consideration for work completed but not billed at the reporting date	834	802	–	–
Others	131	131	–	–
	<u>965</u>	<u>933</u>	<u>–</u>	<u>–</u>
<u>The movements in contract assets are as follows:</u>				
At beginning of the year	933	–	–	–
Cost incurred during the year on uncompleted contracts	32	802	–	–
Others	–	131	–	–
	<u>965</u>	<u>933</u>	<u>–</u>	<u>–</u>
<u>Transaction price allocated to the remaining performance obligations (over time method):</u>				
Expected to be recognised as revenue within 1 year	965	933	–	–
Balance at end of the year	<u>965</u>	<u>933</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

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19. Other assets (cont'd)

19A. Contract assets (cont'd)

The contract assets are for entity's rights to consideration for work completed but not billed at the reporting date on the contracts. The contract assets are transferred to the receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue for each respective performance obligation when control of the product or service transfers to the customer.

20. Inventories

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Finished goods and goods for resale	<u>1,155</u>	<u>1,791</u>	<u>261</u>	<u>92</u>
Inventories are stated after allowance.				
Movements in allowance:				
Balance at beginning of the year	209	248	62	93
Charged / (reversal) to profit or loss included in other losses / (other income and gains) (Note 6)	271	(39)	–	(31)
Charge to profit or loss included in cost of sales	113	–	113	–
Foreign exchange adjustments	(6)	–	–	–
Balance at end of the year	<u>587</u>	<u>209</u>	<u>175</u>	<u>62</u>

Certain inventories are pledged as security for trust receipts (see Note 25A).

The reversal of allowance is for goods with an estimated increase in net realisable value.

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21. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Outside parties	5,724	4,517	3	53
Less allowance for impairment	(39)	(62)	–	(44)
Subsidiaries	–	–	567	512
Less allowance for impairment	–	–	(204)	(244)
Related parties	261	298	120	120
Trade receivables – subtotal	<u>5,946</u>	<u>4,753</u>	<u>486</u>	<u>397</u>
<u>Other receivables:</u>				
Related parties (Note 3D)	1,993	1,326	27	25
Subsidiaries (Note 3D)	–	–	8,483	8,774
Less allowance for impairment	–	–	(2,904)	(2,583)
Outside parties	611	608	5	–
Less allowance for impairment	(605)	(5)	(5)	–
Other receivables – subtotal	<u>1,999</u>	<u>1,929</u>	<u>5,606</u>	<u>6,216</u>
Total trade and other receivables	<u>7,945</u>	<u>6,682</u>	<u>6,092</u>	<u>6,613</u>
	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Movements in above allowance:				
Balance at beginning of the year	67	403	2,871	2,995
Allowance for impairment on trade receivables to profit or loss included in other losses (Note 6)	639	5	812	5
Allowance for impairment on receivables from subsidiaries to profit or loss included in other losses	–	–	–	219
Disposal of subsidiaries	–	(4)	(518)	–
Written off	(62)	(337)	(44)	(337)
Foreign exchange adjustments	–	–	(8)	(11)
Balance at end of the year	<u>644</u>	<u>67</u>	<u>3,113</u>	<u>2,871</u>

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

Concentration of trade receivable customers as at the end of the reporting year:

- 43% (2019: 30%) of the Group's trade receivables were due from two major customers.
- 75% (2019: 80%) of the Company's trade receivables were due from two major customers.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

21. Trade and other receivables (cont'd)

The expected credit losses (ECL) on the trade receivables are based on the simplified approach to measuring expected credit losses (ECL) which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. The reporting entity has only a few customers and which can be credit risk graded individually and these are recorded at inception net of expected lifetime ECL. For the few customers with large balances the credit risk is graded individually. For these large balances, at the end of the reporting year a loss allowance is recognised if there has been a significant increase in credit risk since initial recognition. A loss allowance balances of \$39,000 (2019: \$62,000) is recognised. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates (including the impact of the Covid-19 pandemic) are analysed.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 to 90 days (2019: 60 to 90 days), but some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
31 to 60 days	109	382	–	–
61 to 90 days	354	360	348	–
91 to 120 days	294	378	–	–
Over 120 days	1,299	961	131	676
Total	<u>2,056</u>	<u>2,081</u>	<u>479</u>	<u>676</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

21. Trade and other receivables (cont'd)

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Over 120 days	39	62	204	288

The allowance which is disclosed in the note on trade receivables is based on individual accounts that are determined to be impaired at the end of the reporting year. These are not secured.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of \$605,000 (2019: \$5,000) is recognised.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity. Related company other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS

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22. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Not restricted in use	<u>5,225</u>	<u>5,563</u>	<u>656</u>	<u>1,412</u>

The interest earning balances are not significant.

22A. Cash and cash equivalents in the consolidated statement of cash flows:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Amount as shown above	5,225	5,563
Add: Cash transferred to asset held for sale	<u>169</u>	<u>–</u>
Cash and cash equivalents at end of the year	<u>5,394</u>	<u>5,563</u>

22B. Non-cash transactions:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Acquisitions of certain assets under property, plant and equipment under lease contracts	224	122
Acquisitions of certain assets under right-of-use assets under lease contracts	866	178
Acquisitions of certain assets under property, plant and equipment under loans and borrowings	–	1,120
Acquisitions of certain assets under property, plant and equipment under unpaid trade and other payables	<u>658</u>	<u>–</u>
	<u>1,748</u>	<u>1,420</u>

22C. Reconciliation of liabilities arising from financing activities:

	<u>2019</u>	<u>Cash flows</u>	<u>Non-cash</u>	<u>2020</u>
	\$'000	\$'000	changes	\$'000
			\$'000	
<u>At 31 December 2020:</u>				
Other financial liabilities	4,216	628	–	4,844
Lease liabilities	<u>220</u>	<u>(315)</u>	<u>1,126</u>	<u>1,031</u>

NOTES TO THE FINANCIAL STATEMENTS

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22. Cash and cash equivalents (cont'd)

22C. Reconciliation of liabilities arising from financing activities (cont'd):

	<u>2018</u>	<u>Cash flows</u>	<u>Non-cash</u>	<u>2019</u>
	\$'000	\$'000	changes	\$'000
<u>At 31 December 2019:</u>				
Other financial liabilities	3,611	(515)	1,120	4,216
Lease liabilities	176	(261)	305	220

23. Share capital

	<u>Group and Company</u>	
	Number	Share
	of shares	capital
	<u>issued</u>	<u>capital</u>
	\$'000	\$'000
Ordinary shares of no par value:		
Balance at 1 January 2019, 31 December 2019		
and 31 December 2020	<u>214,202</u>	<u>15,300</u>

The ordinary shares of no par value which are fully paid carry no right to fixed income. The company is not subject to any externally imposed capital requirements.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

23. Share capital (cont'd)

Capital management (cont'd):

Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year. The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Net debt:		
All current and non-current borrowings including leases	5,875	4,436
Less: cash and cash equivalents	(5,225)	(5,563)
Net debt	<u>650</u>	<u>(1,127)</u>
Adjusted capital:		
Total equity	<u>15,258</u>	<u>15,830</u>
Adjusted capital	<u>15,258</u>	<u>15,830</u>
Debt-to-adjusted capital ratio	<u>4.3%</u>	<u>N.M.</u>

N.M – The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

The unfavourable change as shown by the increase in debt-to-adjusted ratio for the reporting year resulted primarily from the increase in liabilities.

23A. Dividends on equity shares

	<u>Rate per share –</u>			
	<u>cents</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			\$'000	\$'000
Final tax exempt (1-1.tier) dividend paid (cents)	0.0018	–	386	–
Total dividends paid in the year	<u>0.0018</u>	<u>–</u>	<u>386</u>	<u>–</u>

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24. Other reserves

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Foreign currency translation reserve (Note 24A)	(386)	(405)
Statutory reserves (Note 24B)	216	172
Total at the end of the year	<u>(170)</u>	<u>(233)</u>

The movements in the reserves are disclosed in the statement of changes in equity.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

24A. Foreign currency translation reserve

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Balance at beginning of the year	(405)	(207)
Exchange differences on translating foreign operations	42	(198)
Disposal of subsidiary	(23)	–
Balance at end of the year	<u>(386)</u>	<u>(405)</u>

The currency translation reserve accumulates all foreign exchange differences on translating foreign operations.

24B. Statutory reserves

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Balance at beginning of the year	172	128
Transfer from retained earnings	44	44
Balance at end of the year	<u>216</u>	<u>172</u>

A subsidiary incorporated in People's Republic of China ("PRC") is required by the relevant Chinese regulations and the Articles of Association to appropriate, where applicable, certain percentage of profit after taxation (after offsetting all recognised tax losses carried forward from previous financial years) arrived at in accordance with the Company Law of PRC and Company's Articles of Association each year to statutory reserves. The appropriation to statutory reserves must be made before distribution of dividends to shareholders. Subject to certain restrictions, part of the reserve may be converted to increase share capital or be used to make up losses. These statutory reserves are not distributable in the form of cash dividends.

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25. Other financial liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Non-current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loans ⁽ⁱ⁾ (Note 25B)	–	3,675	–	–
<u>Financial instruments with fixed interest rates:</u>				
Bank loans ⁽ⁱⁱ⁾ (Note 25B)	3,887	–	–	–
Total non-current portion	<u>3,887</u>	<u>3,675</u>	<u>–</u>	<u>–</u>
<u>Current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loans ⁽ⁱ⁾ (Note 25B)	–	450	–	–
Trust receipts for purchase of inventories (Note 25A)	–	91	–	–
<u>Financial instruments with fixed interest rates:</u>				
Bank loans ⁽ⁱⁱ⁾ (Note 25B)	957	–	–	–
Total current portion	<u>957</u>	<u>541</u>	<u>–</u>	<u>–</u>
Total non-current and current	<u>4,844</u>	<u>4,216</u>	<u>–</u>	<u>–</u>
The non-current portion is repayable as follows:				
Due within two to five years	3,887	–	–	–
After five years	–	3,675	–	–
Total non-current portion	<u>3,887</u>	<u>3,675</u>	<u>–</u>	<u>–</u>

The range of floating interest rates paid were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	%	%	%	%
Bank loans	–	3.38 to 4.01	–	–
Trust receipts for purchase of inventories	<u>–</u>	<u>3.52</u>	<u>–</u>	<u>–</u>

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting years are below three months (2019: three months).

The floating rate debt instruments are with interest rates that are re-set regularly at short intervals.

25 Other financial liabilities (cont'd)

The range of fixed interest rates paid were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	%	%	%	%
Bank loans	2.5	–	–	–

The repayment terms of the bank loan is as follows:

- (i) Bank loan is repayable in full on its maturity date which falls on 10 years commencing from the end of three months after the issuance of the industrial building's Temporary Occupation Permit expected in the near future. The loan is refinance during the year.
- (ii) Bank loan is repayable by equal monthly instalments over 5 years from November 2020.

25A. Trust receipts for purchase of inventories

The trust receipts are covered by a first legal charge on certain inventories.

25B. Bank loans and short term borrowings

The short term borrowings are covered by corporate guarantee from the Company.

The bank loans are secured and covered by:

- (a) First legal mortgage over the land of the Group (located at Tuas South Link 3 Plot 24) (Note 12) and the proposed development to be erected thereon into an industrial building;
- (b) Legal assignment of all rights, title and interests in the construction contract, insurance policies, performance bonds, tenancy agreement and sales and purchase agreement of the proposed development; and
- (c) Corporate guarantee from the Company.

The facility agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans or other credit facilities becoming repayable immediately upon service of a notice of default by the lenders.

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26. Contract liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Current:</u>				
Contract liabilities	751	362	–	–
<u>The amount of contract liabilities on uncompleted contracts is made up of:</u>				
Contract liabilities on long term contracts (over time method)	751	362	–	–
<u>The movements in contract liabilities are as follows:</u>				
At beginning of the year	362	–	–	–
Performance obligation satisfied – revenue recognised during the reporting year	(1,906)	–	–	–
Additions of contract liabilities from deposit paid by customers during the year	333	362	–	–
Consideration received or receivable	1,968	–	–	–
Foreign exchange adjustments	(6)	–	–	–
At end of the year	751	362	–	–
<u>The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year:</u>				
Expected to be recognised within 1 year	751	362	–	–
Balance at end of the year	751	362	–	–

27. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Lease liabilities, current	361	120	33	–
Lease liabilities, non-current	670	100	108	–
	1,031	220	141	–

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31 December 2020

27. Lease liabilities (cont'd)

Movement of lease liabilities for the reporting year are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Total lease liabilities at beginning of reporting year	220	176	–	–
Additions during the year	1,090	300	174	–
Accretion of interest	35	5	6	–
Lease payments	(315)	(261)	(39)	–
Foreign exchange adjustments	1	–	–	–
Total lease liabilities at end of reporting year	<u>1,031</u>	<u>220</u>	<u>141</u>	<u>–</u>

The lease liabilities above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-to-use assets. The right-to-use assets are disclosed in Note 14.

The weighted average incremental borrowing rate applied to lease liabilities recognised is 4.76% (2019: 4.79%) per year.

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

	<u>Minimum payments</u>	<u>Finance charges</u>	<u>Present value</u>
<u>Group</u>	\$'000	\$'000	\$'000
<u>2020:</u>			
Minimum lease payments payable:			
Due within one year	401	(40)	361
Due within one to three years	622	(30)	592
Due within three to five years	80	(2)	78
Total	<u>1,103</u>	<u>(72)</u>	<u>1,031</u>
<u>2019:</u>			
Minimum lease payments payable:			
Due within one year	128	(8)	120
Due within one to three years	55	(7)	48
Due within three to five years	54	(2)	52
Total	<u>237</u>	<u>(17)</u>	<u>220</u>

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27. Lease liabilities (cont'd)

<u>Company</u>	<u>Minimum payments</u> \$'000	<u>Finance charges</u> \$'000	<u>Present value</u> \$'000
<u>2020:</u>			
Minimum lease payments payable:			
Due within one year	39	(6)	33
Due within one to three years	77	(7)	70
Due within three to five years	39	(1)	38
Total	<u>155</u>	<u>(14)</u>	<u>141</u>

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Net book value of plant and equipment under finance leases	518	213	293	–
Net book value of right-of-use assets under finance leases (Note 14)	<u>739</u>	<u>96</u>	<u>–</u>	<u>–</u>

28. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	2,927	1,446	–	–
Related parties	834	1,119	–	–
Trade payables – subtotal	<u>3,761</u>	<u>2,565</u>	<u>–</u>	<u>–</u>
<u>Other payables:</u>				
Outside parties	1,434	1,001	274	350
Ultimate parent company (Note 3D)	470	1,591	470	1,591
Related parties (Note 3D)	7	473	–	–
Subsidiaries (Note 3D)	–	–	896	901
Advances received from customers ^(a)	861	761	–	–
Other – deposit received ^(b)	–	576	–	576
Other payables – subtotal	<u>2,772</u>	<u>4,402</u>	<u>1,640</u>	<u>3,418</u>
Total trade and other payables	<u>6,533</u>	<u>6,967</u>	<u>1,640</u>	<u>3,418</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

28. Trade and other payables (cont'd)

(a) The movements in advances received from customers are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	761	1,138	–	–
Consideration received or receivable	1,193	757	–	–
Performance obligation satisfied – revenue recognised	(1,093)	(1,134)	–	–
At end of the year	<u>861</u>	<u>761</u>	<u>–</u>	<u>–</u>

(b) As disclosed in Note 15^(g), deposit of \$576,000 (equivalent to RMB 3million) in relation to the proposed disposal of PAM was received from the third party buyer during the reporting year ended 31 December 2019.

29. Contingent liabilities

	<u>Company</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Undertaking to support subsidiaries with deficits ^(a)	<u>4,608</u>	<u>3,900</u>

(a) Undertaking to support subsidiaries with deficits – The Company has undertaken to provide continued financial support to certain of its subsidiaries which had net capital deficit at the end of the reporting year.

30. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	<u>Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Commitments to purchase of plant and equipment	<u>90</u>	<u>376</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

31. Financial instruments: information on financial risks

31A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	<u>13,170</u>	<u>12,245</u>	<u>6,748</u>	<u>8,025</u>
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	<u>12,408</u>	<u>11,403</u>	<u>1,781</u>	<u>3,418</u>

Further quantitative disclosures are included throughout these financial statements.

31B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks.

The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.
5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

31. Financial instruments: information on financial risks (cont'd)

31C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

31D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 22 discloses the maturity of cash and cash equivalent balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

Other receivables are normally with no fixed terms and therefore there is no maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

31. Financial instruments: information on financial risks (cont'd)

31E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

<u>Group</u>	<u>Less than one year</u> \$'000	<u>Two to five years</u> \$'000	<u>More than five years</u> \$'000	<u>Total</u> \$'000
<u>31 December 2020:</u>				
Other financial liabilities	981	4,179	–	5,160
Gross lease liabilities	401	702	–	1,103
Trade and other payables	5,672	–	–	5,672
At end of the year	<u>7,054</u>	<u>4,881</u>	<u>–</u>	<u>11,935</u>
<u>31 December 2019:</u>				
Other financial liabilities	588	109	3,799	4,496
Gross lease liabilities	128	55	54	237
Trade and other payables	5,630	–	–	5,630
At end of the year	<u>6,346</u>	<u>164</u>	<u>3,853</u>	<u>10,363</u>
<u>Company</u>				
<u>31 December 2020:</u>				
Gross lease liabilities	39	77	–	116
Trade and other payables	1,640	–	–	1,640
At end of the year	<u>1,679</u>	<u>77</u>	<u>–</u>	<u>1,756</u>
<u>31 December 2019:</u>				
Trade and other payables	2,842	–	–	2,842
At end of the year	<u>2,842</u>	<u>–</u>	<u>–</u>	<u>2,842</u>

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected (see Note 29).

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2019: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

31. Financial instruments: information on financial risks (cont'd)

31F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rate and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Financial liabilities with interest:				
Fixed rate	5,875	220	141	–
Floating rate	–	4,216	–	–
Total at end of the year	<u>5,875</u>	<u>4,436</u>	<u>141</u>	<u>–</u>

The floating rate debt asset instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

31G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies:

	<u>US</u>	<u>Sterling</u>		<u>Japanese</u>	<u>Chinese</u>	
	<u>Dollars</u>	<u>Pound</u>	<u>Euro</u>	<u>Yen</u>	<u>Renminbi</u>	<u>Total</u>
<u>Group</u>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>As at 31 December 2020:</u>						
<u>Financial assets:</u>						
Cash	768	451	27	32	–	1,278
Trade and other receivables	412	133	61	–	–	606
Total financial assets	<u>1,180</u>	<u>584</u>	<u>88</u>	<u>32</u>	<u>–</u>	<u>1,884</u>
<u>Financial liabilities:</u>						
Trade and other payables	371	156	171	1,590	147	2,435
Total financial liabilities	<u>371</u>	<u>156</u>	<u>171</u>	<u>1,590</u>	<u>147</u>	<u>2,435</u>
Net financial assets						
(liabilities) at end of the year	<u>809</u>	<u>428</u>	<u>(83)</u>	<u>(1,558)</u>	<u>(147)</u>	<u>(551)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

31. Financial instruments: information on financial risks (cont'd)

31G. Foreign currency risks (cont'd)

<u>Group</u>	<u>US Dollars</u> \$'000	<u>Sterling Pound</u> \$'000	<u>Euro</u> \$'000	<u>Japanese Yen</u> \$'000	<u>Chinese Renminbi</u> \$'000	<u>Total</u> \$'000
<u>As at 31 December 2019:</u>						
<u>Financial assets:</u>						
Cash	1,510	616	154	31	–	2,311
Trade and other receivables	201	29	892	–	–	1,122
Total financial assets	1,711	645	1,046	31	–	3,433
<u>Financial liabilities:</u>						
Trade and other payables	160	374	163	83	–	780
Total financial liabilities	160	374	163	83	–	780
Net financial assets (liabilities) at end of the year	1,551	271	883	(52)	–	2,653

<u>Company</u>	<u>US Dollars</u> \$'000	<u>Sterling Pound</u> \$'000	<u>Euro</u> \$'000	<u>Japanese Yen</u> \$'000	<u>Total</u> \$'000
<u>As at 31 December 2020:</u>					
<u>Financial assets:</u>					
Cash	155	19	18	32	224
Trade and other receivables	36	183	688	–	907
Total financial assets	191	202	706	32	1,131
<u>Financial liabilities:</u>					
Trade and other payables	809	–	–	–	809
Total financial liabilities	809	–	–	–	809
Net financial (liabilities) assets at end of the year	(618)	202	706	32	322

<u>Company</u>	<u>US Dollars</u> \$'000	<u>Sterling Pound</u> \$'000	<u>Euro</u> \$'000	<u>Japanese Yen</u> \$'000	<u>Total</u> \$'000
<u>As at 31 December 2019:</u>					
<u>Financial assets:</u>					
Cash	1,220	19	31	31	1,301
Total financial assets	1,220	19	31	31	1,301
Net financial assets at end of the year	1,220	19	31	31	1,301

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

31. Financial instruments: information on financial risks (cont'd)

31G. Foreign currency risks (cont'd)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the following currencies with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of:				
- Chinese Renminbi	15	–	–	–
- US Dollars	(81)	(155)	62	(122)
- Sterling Pound	(43)	(27)	(20)	(2)
- Euro	8	(88)	(71)	(3)
- Japanese Yen	156	5	(3)	(3)

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction on the profit or loss.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at end of reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

32. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

<u>SFRS (I) No.</u>	<u>Title</u>
SFRS (I) 3	Definition of a Business – Amendments
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to
SFRS (I) 1-39; 7 and 9	Interest Rate Benchmark Reform – Amendments to Conceptual Framework for Financial Reporting
SFRS (I) 16	Covid-19 Related Rent Concessions – Amendment to (effective from 1 June 2020)

33. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

33. New or amended standards in issue but not yet effective (cont'd)

<u>SFRS (I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS (I) 1-1	Presentation of Financial Statements- amendment relating to Classification of Liabilities as Current or Non-current	1 Jan 2023
SFRS (I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments to	1 Jan 2022
SFRS (I) 1-37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to	1 Jan 2022
SFRS (I) 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (Annual Improvement Project)	1 Jan 2022
SFRS (I) 9	Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Annual Improvement Project)	1 Jan 2022
SFRS (I) 10 and SFRS (I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet
Various	Annual Improvements to SFRS(I)s 2018-2020	1 Jan 2022

34. Reclassifications and comparative figures

Certain reclassifications were made in the balances in the financial statements for last year as follows:

<u>2020 Statement of financial position</u>		<u>After</u>	<u>Reclassification</u>	<u>Difference</u>
		<u>\$'000</u>	<u>Before</u>	<u>\$'000</u>
			<u>\$'000</u>	<u>\$'000</u>
Lease liabilities, non-current	#A	100	–	100
Other financial liabilities, non-current	#A	3,675	3,775	(100)
Lease liabilities, current	#A	120	96	24
Other financial liabilities, current	#A	541	565	(24)

#A Reclassifications have been made to enhance comparability with current year's financial statements.

STATISTIC OF SHAREHOLDINGS

AS AT 15 MARCH 2021

NUMBER OF SHARES	: 214,202,036
CLASS OF SHARES	: ORDINARY SHARES
VOTING RIGHTS	: ONE VOTE FOR EACH ORDINARY SHARE
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	: NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	11	1.03	116	0.00
100 - 1,000	357	33.30	349,074	0.16
1,001 - 10,000	379	35.35	1,874,432	0.88
10,001 - 1,000,000	316	29.48	32,554,482	15.20
1,000,001 & ABOVE	9	0.84	179,423,932	83.76
TOTAL	1,072	100.00	214,202,036	100.00

TOP TWENTY SHAREHOLDERS AS AT 15 MARCH 2021	NO. OF SHARES	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
TAN KIM TEE	3,001,000	1.40
DBS NOMINEES PTE LTD	2,465,732	1.15
LIM CHIN BEE	2,150,000	1.00
LIM HOCK CHAU	1,598,000	0.75
RAFFLES NOMINEES (PTE) LIMITED	1,547,600	0.72
GOH GUAN SIONG (WU YUANXIANG)	1,480,100	0.69
KOH CHIN SAN JEREMY	1,038,000	0.49
KOH HOO KWEE	1,006,000	0.47
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	948,000	0.44
ONG HOCK HAI	903,000	0.42
RICHARD CHAN WAH CHEONG	800,000	0.38
TAN THIAN TIN	781,000	0.37
HSBC (SINGAPORE) NOMINEES PTE LTD	670,000	0.31
YAP CHING SEOW	615,000	0.29
LAU CHAN @LUA CHAN	600,000	0.28
WANG LIYAN	600,000	0.28
CHENG GUEK ENG	560,000	0.26
LIM CHIN HOCK	559,000	0.26
PHILLIP SECURITIES PTE LTD	538,900	0.25
	186,998,832	87.30

STATISTIC OF SHAREHOLDINGS

AS AT 15 MARCH 2021

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2021

as recorded in the Register of Substantial Shareholders

NAME OF SHAREHOLDER	NO. OF SHARES			
	DIRECT INTEREST	%	DEEMED INTEREST	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09	-	-
RICHARD KOH CHYE HENG ⁽¹⁾	-	-	165,137,500	77.09
KOH EDDIE ⁽²⁾	-	-	165,137,500	77.09

Notes:

(1) Mr Richard Koh Chye Heng is deemed to have an interest in the shares held by Xu Jia Zu Holdings Pte Ltd by virtue of his holding more than 20% of the total issued shares in Xu Jia Zu Holdings Pte Ltd. Mr Richard Koh Chye Heng is holding 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's Constitution, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

(2) Mr Koh Eddie is deemed to have an interest in the shares held by Xu Jia Zu Holdings Pte Ltd by virtue of his holding of more than 20% of the total issued shares in Xu Jia Zu Holdings Pte Ltd.

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

As at 15 March 2021, approximately 22.90% of the issued ordinary shares of the Company are held by the public. Accordingly, Rule 723 of the Listing Manual Section B: Rules of the Catalist issued by the SGX-ST has therefore been complied with.

NOTICE OF ANNUAL GENERAL MEETING

PAN ASIAN HOLDINGS LIMITED (Incorporated in the Republic of Singapore)
(Company Registration No. 197902790N)

This Notice has been made available on SGXNet and the Company's website and may be accessed at the URL <http://www.panasian.com.sg/investors-media-menu/announcements>. A printed copy of this Notice, proxy form and Annual Report will **NOT** be despatched to the Shareholders.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of the Company will be held by way of electronic means on Monday, 26 April 2021 at 10:00am to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements for the financial year ended 31 December 2020 and the Auditor's Report thereon. **(Resolution 1)**
2. To re-elect Mr Wu Yu Liang, who is retiring pursuant to Regulation 101 of the Constitution of the Company, as director of the Company. **(Resolution 2)**

Mr Wu will, upon re-election, continue to serve as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. He is considered independent for the purpose of Rule 704(7) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B Rules of Catalyst ("**Catalist Rules**"). Mr Wu does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders. The detailed information of Mr Wu can be found under "Board of Directors" and "Corporate Governance Statement" in the Company's Annual Report 2020.

(See Explanatory Note 1)

3. **Subject to and contingent upon passing of Resolution 2 by shareholders of the Company**, to approve: (a) the continued appointment of Mr Wu Yu Liang, as an independent director, for the purpose of Rule 406(3)(d)(iii) of the Catalyst Rules (which will take effect from 1 January 2022); and (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Wu as a director, or (ii) the conclusion of the third annual general meeting of the Company following the passing of this Resolution. The directors and the chief executive officer of the Company and their respective associates (as defined in the Catalyst Rules) shall abstain from voting for Resolution 3. **(Resolution 3)**

(See Explanatory Note 1)

4. To re-elect Mr Lawrence Chen Tse Chau (Chen Shichao), who is retiring pursuant to Regulation 105 of the Constitution of the Company, as director of the Company. **(Resolution 4)**

Mr Chen will, upon re-election, continue to serve as a member of the Audit Committee, Nominating Committee and Remuneration Committee. He is considered independent for the purpose of Rule 704(7) of the Catalyst Rules. Mr Chen does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders. The detailed information of Mr Chen can be found under "Board of Directors" and "Corporate Governance Statement" in the Company's Annual Report 2020.

5. To approve Directors' fees of \$100,000 for the financial year ending 31 December 2021 (FY2020: \$137,000). **(Resolution 5)**
6. To re-appoint RSM Chio Lim LLP as auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an AGM.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution with or without any modifications:

8. Authority to allot and issue shares and convertible securities

(Resolution 7)

- (a) That pursuant to Section 161 of the Companies Act, Cap. 50, and the Catalist Rules, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
 - (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise;
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
 - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

- (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company.

For the purpose of this resolution, the total number of issued shares excluding treasury shares and subsidiary holdings is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

NOTICE OF ANNUAL GENERAL MEETING

- a) new shares arising from the conversion or exercise of convertible securities;
- b) new shares arising from exercising share options or vesting of share awards provided that the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and
- c) any subsequent bonus issue, consolidation or subdivision of the shares,

Adjustments in accordance with subparagraphs (i)(a) and (i)(b) 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.

- (ii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Act and the Constitution, for the time being, of the Company; and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note 2)

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman

2 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note:

1. Resolutions 2 and 3 are to re-elect Mr Wu Yu Liang ("Mr Wu") as an Independent Non-Executive Director of the Company for a three-year term, with effect from the passing of these resolutions proposed at the forthcoming AGM, until the conclusion of the third annual general meeting of the Company following the passing of these resolutions.

In the case, if Mr Wu did not obtain a majority of shareholders' approval through the two-tiered voting process, he will cease to be considered independent for purposes of Rule 406(d)(iii) of the Catalist Rules and will be re-designated as a non-executive non-independent director of the Company. The Company shall endeavor to search for suitable candidate(s) and fill the vacancies of the independent director(s) within two, but no later than three months from the date of the AGM to fulfill the requirements of the Catalist Rules and Code of Corporate Governance, where applicable.

2. Resolution 7, if passed, will empower the Directors, from the date of this Meeting until the next annual general meeting, to allot and issue new shares and/or convertible securities in the Company including a rights or bonus issue without seeking further approval from shareholders in general meeting for such purposes as the Directors consider would be in the best interests of the Company. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in Resolution 7.

Notes:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 2 April 2021 AGM which has been uploaded together with this Notice of AGM on SGXNet on the same day. This announcement, the Notice of AGM and the FY2020 Annual Report may also be accessed on the Company's corporate website at the URL <http://www.panasian.com.sg/investors-media-menu/announcements> and on SGXNet.
2. In particular, the AGM will be held by way of electronic means and a Shareholder will be able to watch the proceedings of the AGM through a "live" webcast via mobile phones, tablets, computers or listen to these proceedings through a "live" audio feed via telephone. In order to do so, a Shareholder who wishes to watch the "live" webcast or listen to the "live" audio feed must pre-register by 5:00 p.m. on 21 April 2021, at the URL <http://www.panasian.com.sg/investors-media-> or <https://globalmeeting.bigbangdesign.co/panasian/>. Following authentication of the registrant's status as Shareholders, authenticated Shareholders will receive email instructions on how to access the webcast and audio feed of the proceedings of the AGM by 5:00 p.m. on 23 April 2021.

Shareholders who have pre-registered by the Registration Deadline but did not receive the aforementioned email by 5:00 p.m. on 23 April 2021 should contact the Company's share registrar, B.A.C.S. Private Limited, at the following email address: IR@Panasian.com.sg, with the following details included: (1) the full name of the shareholder; and (2) his/her/its identification/registration number.

3. A Shareholder who pre-registers to watch the "live" webcast or listen to the "live" audio feed may also submit questions related to the resolutions to be tabled for approval at the AGM. All questions must be submitted by 5:00 p.m. on 19 April 2021:

(a) via the following email address at IR@Panasian.com.sg, with your full name, number of shares held and manner in which you hold shares (via CDP, CPF or SRS); or

(b) in hard copy by sending personally or by post and lodging the same at the office of the Company's Share Registrar, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

NOTICE OF ANNUAL GENERAL MEETING

4. Shareholders will not be able to ask questions during the live audio-visual webcast of the AGM proceedings. Therefore, it is important for shareholders to pre-register and submit their questions in advance of the AGM. All questions must be submitted by no later than 5.00 P.M. on 19 April 2021 in the following manners:

- (a) via the following email address at IR@Panasian.com.sg, with your full name, number of shares held and manner in which you hold shares (via CDP, CPF or SRS); or
- (b) in hard copy by sending personally or by post and lodging the same at the office of the Company's Share Registrar, B.A.C.S Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

Company will not be able to address questions received after the cut-off time and date. The Company will endeavour to address all substantial and relevant questions received from shareholders prior to and/or at the AGM through live audio-visual webcast.

Queries received shall be addressed via our corporate website, through "live" webcast and "live" audit feed. We will also publish minutes of the AGM including responses from management and Board of Directors on our corporate website (<http://www.panasian.com.sg/investors-media-menu/shareholders-meetings>) and on SGXNet website within 1 month after the AGM date.

5. Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a Shareholder (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
6. The Chairman of the Meeting, as proxy, need not be a Shareholder of the Company.
7. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
- (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, B.A.C.S Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
 - (b) if submitted by email, be received by IR@Panasian.com.sg.

in either case, by no later than 10:00 a.m. on 23 April 2021, and in default the instrument of proxy shall not be treated as valid.

8. The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be either under its seal or signed on its behalf by a duly authorised officer or attorney.
9. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (such as in the case where the appointor submits more than one instrument of proxy).
10. In the case of a Shareholder whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 10:00 a.m. on 23 April 2021, as certified by The Central Depository (Pte) Limited to the Company.

Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") investors should be informed that if they wish to vote, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM. Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries at least 7 working days before the AGM if they wish to vote. Proxy forms appointing such person other than the Chairman of the Meeting shall be deemed to appoint the Chairman of the Meeting as proxy.

NOTICE OF ANNUAL GENERAL MEETING

11. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Approved Bank) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

IMPORTANT REMINDERS

Due to the constantly evolving COVID-19 situation, the Company may be required to change its AGM arrangements at short notice. Members are advised to regularly check the Company's website or announcements released on SGXNet for updates on the AGM. Further, in view of the current COVID-19 measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Shareholder of the Company (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), and (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

PAN ASIAN HOLDINGS LIMITED

Company Registration No.: 197902790N)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting at the annual general meeting are set out in the Annual Report.
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") who wish to vote at the annual general meeting should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the annual general meeting. CPF Investors and/ or SRS Investors should contact their respective agent banks for any queries they may have with regard to appointment of the chairman of the annual general meeting as proxy for the meeting.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 2 April 2021.

PROXY FORM

*I/We _____ (Name)

of _____ (Address)

being a member/members of Pan Asian Holdings Limited (the "**Company**"), hereby appoint the **Chairman of the Meeting** as my/our proxy/proxies to vote for me/us on my/our behalf at the annual general meeting ("**AGM**" or the "**Meeting**") of the Company, to be held by electronic means on Monday, 26 April 2021 at 10:00 a.m. and at any adjournment thereof.

The proxy shall vote on the Resolutions set out in the Notice of AGM dated 2 April 2021 in accordance with my/our directions as indicated hereunder.

No.	Ordinary Resolutions	For#	Against#	Abstain#
1.	To adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020.			
2.	To re-elect Mr Wu Yu Liang as Director of the Company.			
3.	To approve Mr Wu Yu Liang's continued appointment as an Independent Director by all shareholders of the Company, excluding the directors and the chief executive officer of the Company and their respective associates pursuant to Rule 406(3)(d)(iii) of Catalist Rules of the SGX-ST			
4.	To re-elect Mr Lawrence Chen Tse Chau (Chen Shichao) as Director of the Company.			
5.	To approve the Directors' Fees for the financial year ending 31 December 2021.			
6.	To re-appoint RSM Chio Lim LLP as Auditors of the Company.			
7.	To authorise the Directors to issue shares and convertible securities.			

Note: # Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) in the "For" or "Against" box. Alternatively, please indicate the number of votes "For" or "Against" as appropriate in each resolution. If you wish to "Abstain" from voting on a resolution, please indicate with a tick (✓) in the "Abstain" box. Alternatively, please indicate the number of shares which you wish to abstain from voting. In the absence of directions in respect of a specific resolution, the appointment of Chairman of the Meeting as your proxy for that specific resolution will be treated as invalid.

Dated this _____ day of _____ 2021

Signature(s) of individual Shareholder /
Common Seal of Corporate Shareholders

Total no. of shares in:	No. of shares
a) CDP Register	
b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

* Delete where applicable.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 (“SFA”), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number of shares is inserted, this proxy form will be deemed to relate to all the shares held by you.
2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person.
3. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. Shareholders will not be able to ask questions during the live audio-visual webcast of the AGM proceedings. Therefore, it is important for shareholders to pre-register and submit their questions in advance of the AGM. Shareholders can submit questions related to the ordinary resolution to be tabled for approval at the AGM to the Chairman of the Meeting, in advance, via email to the Company at IR@Panasian.com.sg. All questions must be submitted by no later than 5:00 p.m. on 19 April 2021 and the Company will not be able to address questions received after the cut-off time. The Company will endeavour to address all substantial and relevant questions received from shareholders prior to and/or at the AGM through live audio-visual webcast.
6. This Proxy Form must be submitted:
 - a. if sent personally or by post, be lodged at the office of the Company’s Share Registrar, B.A.C.S Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or
 - b. if submitted by email, be received by IR@Panasian.com.sg;

in each case, no later than 10:00 a.m. on 23 April 2021, and failing which, this Proxy Form will not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

7. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Approved Bank) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.
8. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

9. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.
10. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company. In view of Section 81SJ(4) of the SFA, a depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least 72 hours before the AGM. Any Shareholder who is holding his/her shares via the CDP but whose name is not registered with the CDP 72 hours before the AGM will not be entitled to attend at the AGM. Accordingly, even if such shareholder deposits his proxy form 72 hours before the AGM, he will not be entitled to attend at the AGM.
11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
12. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPFIS Members or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Approved Bank) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

*A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
13. By submitting this proxy form, a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 2 April 2021.



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