PAN ASIAN HOLDINGS LIMITED
百益勝控股有限公司

CONTINUOUS TRANSFORMATION

ANNUAL REPORT 2019

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OUR 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's 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.

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

CORPORATE PROFILE

This annual report has been prepared by Pan Asian Holdings Limited (the "Company") and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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 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 products, Water and Wastewater treatment related equipment and turnkey solution. These products are hailed 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.

CHAIRMAN'S STATEMENT

DEAR VALUED 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 2019 ("FY2019").

YEAR IN REVIEW

Notwithstanding a challenging year of volatile and uncertain economic environment, the Group has achieved a profit in FY2019. The Group recorded a net profit after tax of $0.4 million in FY2019, from a net loss after tax of $1.2 million in the prior financial year ended 31 December 2018 ("FY2018").

In achieving this result, the Group focused on its key businesses and strategies across all operating units. We managed to implement and enhance our cost-cutting measures successfully and streamlined business processes to deliver customer's orders efficiently. This involves increased effort and time spent on monitoring and controlling costs. This was proven to be effective as the Group managed to earn a higher gross margin and net profits despite recording lower revenue in FY2019.

KEY DEVELOPMENTS

As part of our efforts to continue to focus on our key businesses, we continuously review and improve on key operations and business units so as to position ourselves to take on future challenges and opportunities that may arise. We continue to streamline business operations and focus our resources on key business units. This involves identifying and divesting existing business units that are not profitable.

We are pleased to share that Shareholders have approved the disposal of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAMTJ") on 18 December 2019. The disposal is expected to be completed in the financial year ending 31 December 2020 ("FY2020"). We expect positive cash flow from the sales proceeds and a gain on disposal of subsidiary to be recorded in FY2020. We view this disposal favourably, as risks long-associated with the land use rights owned by PAMTJ will be extinguished upon disposal.

FUTURE PLANS AND OUTLOOK

As COVID19 virus continue to impact businesses globally, we expect the global economy, including that of Singapore's to remain volatile and uncertain. These have impacted the Group's operations and It will have an impact on the Group's productivity and financial performance. As the Covid-19 situation continues to evolve, the impact on the Group remains uncertain, with potential impact on the Group's operations and financial performance. Despite this challenge, we will continue to explore new markets and new business opportunities to bolster the Group's revenue and profits. We also aim to spend more time and effort in developing the Duvalco range of products and have embarked to manufacture OEM parts in China in order to bring in additional revenue and improve the profits of the Group.

We remain focused on improving our efforts to drive efficiency in business processes and cost-cutting measures to improve profit margins. We will continue to improve on our business strategies to grow our business and to seek good business opportunities that the Group may embark on.

In an effort to seek new business ventures, we are seeking shareholders' approval to diversify our current core business to include a food and beverage business with the initial focus on natural plant based health foods and edible products ("New Business") through our wholly-owned subsidiary Sacha Inchi Pte Ltd. This brings great excitement as the Group seeks to invest and build a manufacturing plant in Thailand that will develop, produce and sell natural plant-based health foods and edible products as a start to the New Business in FY2020. Please refer to our circular dated 3 April 2020 for further details in relation to the New Business. We believe the New Business will benefit the Group by providing additional revenue streams and in potentially increasing shareholder value in future.

DIVIDEND

In appreciation of the unwavering support from the shareholders, the Board of Directors have recommended a first and final dividend of 0.0018 Singapore cents (FY2018: nil) per share. Subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 27 April 2020. Based on a closing price of 0.022 Singapore cents as at 31 December 2019, this represents a dividend yield of 8.1%.

WORDS OF APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our shareholders, stakeholders, customers and business associates for your support and confidence in the Group.

I would also like to thank our management and staff for their commitment and hard work.

Last but not least, I would like to thank the Board of Directors for their valuable counsel, support and guidance.

This would not have been possible without the support of all stakeholders of the Group.

PAN ASIAN HOLDINGS LIMITED

- 100% Duvalco Valves & Fittings Pte Ltd.
  - 100% Duvalco B.V.
  - 50% Duvalco UK Limited
  - 100% Duvalco Valves & Fittings (Wuxi) Ltd
- 100% Pan Asian Flow Technology Pte Ltd
  - 50% MUHR Asia Pte Ltd
  - 10% SPJV Integrated LLP
- 100% Sacha Inchi Pte Ltd
  - 100% Sacha Inchi (Thailand) Co., Ltd
- 100% Pan Asian Water Solutions (HK) Limited
- 100% PA Water Solutions (Shanghai) Limited
- 100% Pan Asian Manufacturing (Tianjin) Co. Ltd
- 100% PT. Pan Asian Water Solutions
- 100% W.D.Moore (2013) Pty Ltd

CORPORATE INFORMATION

BOARD OF DIRECTORS

Richard Koh Chye Heng Executive Chairman
Koh Eddie Managing Director cum Chief Executive officer
Thomas Lam Kwong Fai Lead Independent Director
Wu Yu Liang Independent Director
Indriati Khoe Non-Executive Director

NOMINATING COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Indriati Khoe

REMUNERATION COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Indriati Khoe

AUDIT COMMITTEE

Thomas Lam Kwong Fai Chairman
Wu Yu Liang
Indriati Khoe

COMPANY SECRETARIES

Low Mei Wan
Lin Moi Heyang

REGISTERED OFFICE

2 Kallang Avenue
#05-19 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

BOARD OF DIRECTORS

RICHARD KOH CHYE HENG

Executive Chairman

Date of appointment: 26 May 2008

Date of last re-appointment: 28 April 2017

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.

KOH EDDIE

Managing Director & Chief Executive Officer

Date of appointment: 01 December 1989

Date of last re-appointment: 26 April 2018

Appointed as the Managing Director and Chief Executive Officer since May 2009, Mr Koh is responsible for the overall performance of the Group. 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 20 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.

THOMAS LAM KWONG FAI

Lead Independent Director

Date of appointment: 31 October 2017

Date of last re-appointment: 27 April 2018

Mr Lam is the CEO of Crowe Horwath Capital Pte Ltd (part of Crowe Global, a leading international network of over 700 offices in 130 countries), a boutique corporate finance advisory firm providing corporate governance advisory, financial advisory for equity and debt fund raising, financial advisory for corporate actions and independent financial advisory opinions. 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 over 10 years of experience in the Singapore corporate finance 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 and OEL (Holdings) Limited, both of which are listed on the SGX-ST and D'Nonce Technology Bhd, which is listed on Bursa Malaysia.

WU YU LIANG

Independent Non-Executive Director

Date of appointment: 20 March 2009

Date of last re-appointment: 28 April 2017

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.

INDRIATI KHOE

Non-Executive Director

Date of appointment: 29 May 2009

Date of last re-appointment: 26 April 2018

Madam Khoe holds a Bachelor of Business (Finance & Economics) degree from Curtin University of Technology in Australia and has over 20 years of financial management experience in Asia.

MANAGEMENT TEAM

ISAIAH YAP CHUN HONG

GROUP FINANCIAL CONTROLLER – PAN ASIAN HOLDINGS LIMITED

Mr 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. He also holds a Diploma in Accounting from Ngee Ann Polytechnic.

KELLY KOH MEE LIN

MANAGING DIRECTOR
PAN ASIAN FLOW TECHNOLOGY PTE LTD

Ms Koh is responsible for the promotion and sales activities of core products of the Company into new markets in the Asean Region. She is also responsible for the Company's project sales in the local market. She graduated from the Seattle University with a degree in International Business and had spent more than 10 years working in regional sales and marketing for two large corporations.

TAN WEI HONG

GENERAL MANAGER – MUHR ASIA PTE LTD
ENGINEERING MANAGER – PAN ASIAN FLOW TECHNOLOGY PTE LTD

Mr Tan is responsible for MUHR Asia overall sales, marketing, technical, operation and business development primarily in Water & Wastewater, Hydropower, Power plant & Flood Control in East Asia. Mr Tan is also task with setting up the subsidiary's factory in the region.

He holds another position in Pan Asian Flow Technology Pte Ltd as Engineering Manager and is responsible for Engineering, Technical Support, Project Management and Business Development for PAFT in Singapore and 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.

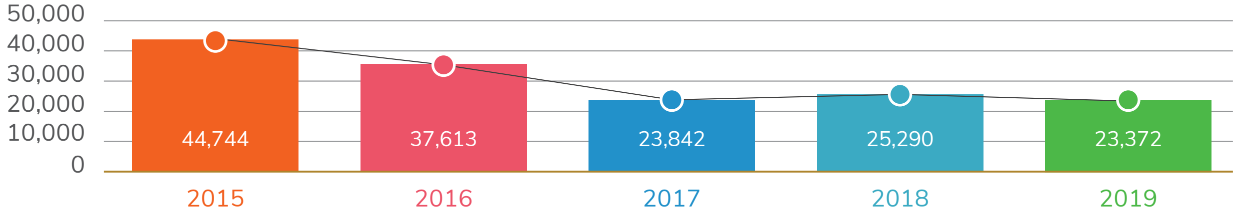
HARVEY KWAN KOON HO

GENERAL MANAGER
PAN ASIAN WATER SOLUTIONS (HK) LIMITED

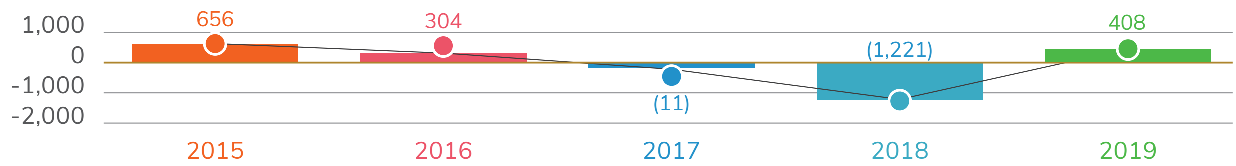
Mr Kwan is responsible for the Pan Asian Water Solutions (HK) Limited's overall sales, marketing and business developments, primarily in the marketing and promotions of our products and services to Hong Kong Water Supply Department, Drainage Supply Department, consultants and contractors. Mr Kwan's responsibilities include 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.

FINANCIAL HIGHLIGHTS

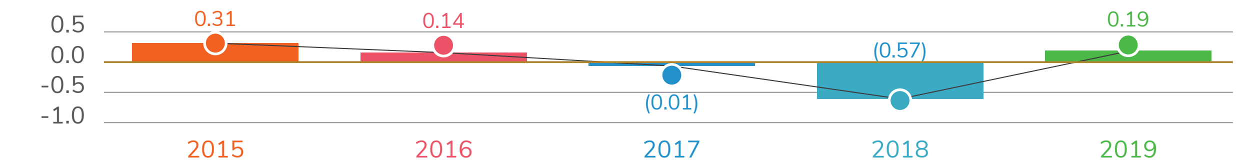
REVENUE (S$'000)



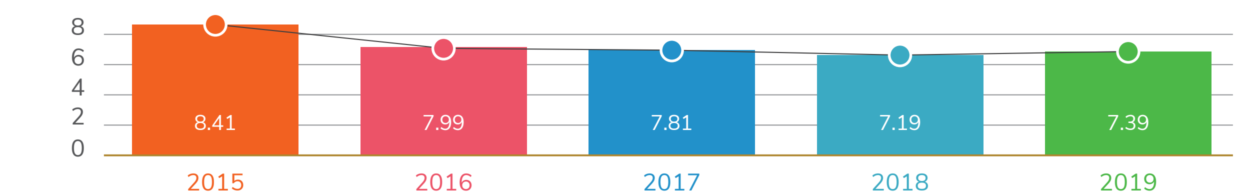
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S$'000)



EARNINGS PER SHARE (SINGAPORE CENTS)



NET ASSET VALUE PER SHARE (SINGAPORE CENTS)



OPERATIONS & FINANCIAL REVIEW

Financial Review

The Group managed to finish FY2019 with a profit before tax of S$0.4 million in FY2019 despite a backdrop of global economic uncertainty.

In FY2019, the Group recorded a revenue of $23.3million, a decrease of $2 million or 7.9% from the $25.3 million recorded in FY2018. This was mainly attributable to a decrease in revenue contribution from China, Hong Kong and Europe entities, offset by increase in revenue contribution from Singapore entities. The entities in China and Hong Kong are experiencing a change in business cycle after enjoying higher turnover in the prior years, where there were more projects awarded to the entities in China and Hong Kong in prior years as compared to FY2019.

Gross profit increased by $1.7 million in FY2019 largely attributable to Management's detailed involvement to improve the costing process, which includes the implementation of cost-saving measures that drove the gross profit margin up. Other contributing factors includes the Group securing orders and projects with a higher gross profit margin compared to FY2018. As a result, gross profit margin in FY2019 was higher at 33.9% compared to 24.7% in FY2018.

Management's streamlining of business process and the implementation of cost-cutting measures were the main contributing factors to lower operating expenses for the Group. Our marketing and distribution costs and administrative expenses decreased by an aggregate of $0.3 million or 8.3% in FY2019. Finance costs increased by $82,000 or 53.6% due to bank loans for the construction of Tuas Factory, land purchased and overall increase in interest rates for existing property loans.

Share of profits from joint ventures and associates totaled S$0.14 million in FY2019, an improvement compared to a profit of S$0.08 million in FY2018.

Financial Position

The Group's total assets decreased by $0.4million from $28.7 million in FY2018 to $28.3 million in FY2019. The overall decrease in total assets is attributable mainly to the disposal of investments in associate of DWK Tianjin during the year and inventories written off due to write-off of slow moving and obsolete inventories. The decrease in trade and other receivables were due to management's increase collection efforts which proved successful and three invoices with a total balance of $2.5million that were issued in December 2018 and were subsequently collected in 2019. The decrease in other assets was due to a higher prepaid expenses that was recorded in FY2018 which was amortised over a period of 12 months in FY2019. The decrease in the Group's total assets was partially offset by an increase in property, plant and equipment that was from the completion of the Tuas warehouse in March 2019 and purchase of Machineries for operational purposes.

The Group's current liabilities decreased by $1.7 million from $10.3 million as at 31 December 2018 to S$8.6 million as at 31 December 2019. The overall decrease in the Group's current liabilities is attributable to term loan repayments and disposal of motor vehicles under hire purchase in FY2019. The increase in the Group's non-current other financial liabilities is due to the loan drawn down arising from for the completion of the Tuas Warehouse and finance lease for fixed assets purchases during FY 2019.

OPERATIONS & FINANCIAL REVIEW

Statement of Cash Flow

The Group has continued to maintain a healthy cash position. Overall, the Group recorded a net increase in cash and cash equivalents of $2.8 million, from $2.8 million as at 31 December 2018 to $5.5 million as at 31 December 2019. This was mainly attributable to the cash flow from operating activities of $4.0 million, offset by cash flow used in investing activities of $0.2 million and cash flow used in Financing activities of $1.0 million.

Operating activities recorded a net cash inflow of $3.9 million mainly due to improvement in cash flow management by increased the management's effort in receivables collection in Singapore and Hong Kong entities.

Investing activities recorded a net cash outflow of $0.2 million was mainly due to purchase of plant and equipment in FY2019.

Financing activities recorded a net cash inflow of $1 million mainly due to net increase in borrowings during the financial year of $0.5 million, offset by repayment of bank borrowings, finance lease, and interest of an aggregate of approximately $1.4 million.

Segmental Performance

General Trading remained the Group's largest business segment by being the largest contributor to the Group's total revenue. At $10.1 million, it contributed 43% of the Group's revenue. However, this is lower comparing to the previous financial year of $14.1 million, where it had contributed 56% of Group's revenue in FY2018. The decrease in the General Trading segment revenue is due to a decrease in contribution from Hong Kong, offset by an increase in revenue contribution from the Engineering Solutions and Valves Segment.

Engineering Solutions segment registered an increase in revenue of $2.5million, from $5.4million in FY2018 to $7.9million in FY2019 due mainly to successful conversion of opportunities to actual sales.

Valves Segment registered a decrease in revenue of $1.9million, from $5.3million in FY2018 to $3.4million in FY2019 due to reduction in the conversion of valves order.

Geographically, Singapore contributed the highest revenue to the Group with total sales of $13.0 million, which worked out to be 56% of Group's revenue. The second largest contributor geographically was Hong Kong that contributed $5.9 million to the Group's revenue, equivalent to 25% of the Group's revenue.

CORPORATE GOVERNANCE

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 2019 ("**FY2019**"), with specific reference to the principles and provisions of the Singapore Code of Corporate Governance 2018 (the "**Code**") 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.

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 five Directors, two of whom are Independent Directors. The Board consists of:

Richard Koh Chye Heng	Executive Chairman
Koh Eddie	Managing Director cum Chief Executive Officer
Lam Kwong Fai	Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive 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 S$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 respectively, both are 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 2019 annual general meeting, Board and Committee meetings for FY2019 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	0	3	NA	NA	NA
Koh Eddie	1	3	NA	NA	NA
Lam Kwong Fai	1	3	3	1	1
Wu Yu Liang	1	3	3	1	1
Indriati Khoe	1	3	3	1	1

NA – Not applicable

Mr. Richard Koh Chye Heng, the Executive Chairman of the Company expressed his apologies for absent at the AGM held on 29 April 2019 due to medical reasons. Save for Mr. Richard Koh, all other Directors as well as the external auditors were present at the meeting.

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.

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 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, Mr. Lam Kwong Fai has attended the following training programme:

Programme	Organised By
FRS Seminar	**Moore Stephens LLP**
Regional M&A Seminar	**Rajah & Tann**

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 two Executive Directors, two Independent Directors and one Non-Executive Director.

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 FY2019, 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/her 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.

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.

During the year under review, the Board assessed the need of restructuring the Board to comply with Provision 2.2 of the Code, i.e. either appointing an independent chairman or additional independent director. The Board, after review, is of the opinion that, notwithstanding that the current Independent Directors do not make up a majority of the Board, its current size and composition is appropriate for decision making, with a good mix of diversity and skills, experience and gender after considering the scope and nature of the Group's operations. The Board is also of the view that there is strong independent element in the Board and no individual dominates the Board's decision making. The NC resolved that it will continue to conduct annual reviews on the Board composition of the Company to ensure that there is sufficient independent element in the Board.

Provision 2.3 of the Code is met as majority of the Board is made up by non-executive directors.

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	40%
Legal or corporate governance	1	20%
Relevant industry knowledge or experience	3	60%
Strategic planning experience	3	60%
Customer based experience or knowledge	5	100%
Gender		
Male	4	80%
Female	1	20%

Although the Company does not have a Board diversity policy, the Board ensure 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 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.

The Chairman and Chief Executive Officer of the Company are undertaken by separate persons to create a clear division of responsibilities and to ensure an appropriate balance of power, increased accountability, and greater capacity if the Board for independent decision making.

Mr. Richard Koh Chye Heng, founder and Executive Chairman of the Company, is to develop the business, formulate and implement the business strategies of the Group. Guided by the Chairmen 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. Koh Eddie, Managing Director cum Chief Executive Officer of the Company, the son of Mr. Richard Koh, is responsible for the day-to-day management and operations of the Group.

Notwithstanding the familial relationship, the Board is of the opinion that there is no concentration of power as the Group is managed objectively on a transparent basis and taking into account the current corporate structure and the scope of the Group's operations, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of influence.

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, Chief Executive Officer 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 Non-Executive Directors, two out of three of whom, including the Chairman of the NC, are independent directors. The NC members are:

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Indriati Khoe	Non-Executive 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 and key executives; and

(i) to review of training and professional development programs for the Board and its directors.

There are two Directors who have other listed company board representations. The NC is of the view that despite some of the Directors having multiple board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

As time requirement of each director is subjective, the NC has decided not to fix a maximum limit on the number of directorship 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 discharged their duties adequately for FY2019.

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. Koh Eddie and Mr. Lam Kwong Fai are subject to retirement at the forthcoming annual general meeting pursuant to the provisions of the Constitution of the Company.

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 is disclosed below:

	MR. KOH EDDIE	MR. LAM KWONG FAI
Date of Appointment	1 December 1989	31 October 2017
Date of last re-appointment	26 April 2018	26 April 2018
Age	53	41
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the NC and has reviewed and considered the contribution, performance, attendance, preparedness, participation and suitability of Mr. Koh for re-election as the Director of the Company and concluded that Mr. Koh possess the experience, expertise knowledge and skills to contribute towards the core competencies of the Board.	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. Lam for re-election as an Independent Director of the Company and concluded that Mr Lam possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. The Board considers Mr. Lam to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Koh is responsible for the overall management of the Group's day-to-day management and operations.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Managing Director cum Chief Executive Officer	Independent and Non-Executive Director, Chairman of the AC and a member of RC and NC
Professional qualifications	Bachelor of Engineering (Electrical), National University of Singapore	Bachelor of Accountancy, Nanyang Technological University
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	1) Son of Mr. Richard Koh, Executive Chairman and Substantial Shareholder of the Company. 2) Spouse of Ms. Indriati Khoe, Non-Executive Director of the Company and Substantial Shareholder of the Company. 3) Brother of Ms. Kelly Koh, Managing Director of Pan Asian Flow Technology Pte. Ltd., the wholly-owned subsidiary of the Company.	No
Conflict of Interest (including any competing business)	No	No

	MR. KOH EDDIE	MR. LAM KWONG FAI
Working experience and occupation(s) during the past 10 years	Chief Executive Officer Cum Managing Director of the Company	Jul 2019 - Present Crowe Horwath Capital Pte Ltd Chief Executive Officer Jun 2017 - Jun 2019 3 Peaks Capital Private Limited Chief Executive Officer Jul 2014 - Jun 2017 PrimePartners Corporate Finance Pte. Ltd. Associate Director, Continuing Sponsorship Apr 2012 - Jun 2014 CNP Compliance Pte Ltd Director Jul 2011 - Mar 2012 KW Capital Pte Ltd Registered Professional Apr 2009 - Jun 2011 KW Capital Compliance Officer 2007 - 2009 Genesis Capital Manager
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 165,137,500 ordinary shares of the Company 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.	No
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) **Present**	Past: Nil Present: Duvalco UK Limited Duvalco Valves & Fittings Pte Ltd Duvalco Valves (Wuxi) Co., Ltd PA Water Solutions (Shanghai) Limited Pan Asian Flow Technology Pte. Ltd. Sacha Inchi Pte Ltd VIP Polymers (Shanghai) Co. Ltd. Xu Jia Zu Holdings Pte. Ltd.	Past: Medtecs (Asia Pacific) Pte Ltd Medtecs International Corporation Limited Present: Crowe Horwath Capital Pte Ltd (CEO) China Kunda Technology Holdings Limited D'Nonce Technology Berhad OEL (Holdings) Ltd Zenith Distribution LLP (Dormant) 3 Peaks Capital Private Limited (Dormant)
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

		MR. KOH EDDIE	MR. LAM KWONG FAI
(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
(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

	MR. KOH EDDIE	MR. LAM KWONG FAI
(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
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
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	No	No
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	No	No
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 in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

	MR. KOH EDDIE	MR. LAM KWONG FAI
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? **If yes, please provide details of prior experience.** **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.** **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).**	N.A. Mr. Koh is proposed to be re-elected as a Director of the Company.	N.A. Mr. Lam is proposed to be re-elected as a Director of the Company.

Accordingly, the NC has assessed and recommended to the Board, and the Board has endorsed the re-election of Mr. Koh Eddie and Mr. Lam Kwong Fai, who have offered themselves for re-election as Directors of the Company by shareholders at the forthcoming annual general meeting.

Mr. Lam will, upon re-election as Director of the Company, remain as Chairman of the AC and a member of the NC and RC. The Board considers Mr. Lam to be independent for the purpose of Rule 704(7) of the Catalist Rules. Save as disclosed herein, Mr. Lam does not have any relationship including immediate family relationship with the Directors, the Company or its substantial shareholders (as defined in the Code).

Mr. Koh Eddie will, upon re-election as Director of the Company, remain as Managing Director cum Chief Executive Officer of the Company. Save as disclosed herein, Mr. Koh Eddie does not have any other relationship (including immediate family relationship(s)) 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
Koh Eddie (Managing Director cum Chief Executive Officer)	1 December 1989 / 26 April 2018	–	–	Managing Director cum Chief Executive Officer of the Company
Lam Kwong Fai (Lead Independent Director)	31 October 2017 / 26 April 2018	China Kunda Technology Holdings Limited D'Nonce Technology Berhad OEL (Holdings) Ltd	Medtecs International Corporation Limited	Crowe Horwath Capital Pte Ltd
Wu Yu Liang (Independent Director)	20 March 2009 / 29 April 2019	Jiutian Chemical Group Limited AusGroup Limited	–	Wu LLC Offshore Nexus Management & Secretarial Services Pte Ltd StartUp Consultants Ltd. Sunrise Attribution Sdn. Bhd.
Indriati Khoe (Non-Executive Director)	29 May 2009 / 26 April 2018	–	–	Children's Vineyard Preschool Pte. Ltd. Wankai Management Pte Ltd

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

Ms. Indriati Khoe is the spouse of Mr. Koh Eddie, the Managing Director cum Chief Executive Officer of the Company and a substantial shareholder of the Company.

Save for those disclosed in this corporate governance statement, none of other Directors 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.

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 FY2019, the NC did not propose any changes to the performance criteria as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities largely remained the same. Where the performance criteria are deemed necessary to be changed, the onus is 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. 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. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.

No external facilitator has been engaged for the purposes to assess the Board's performance for FY2019.

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
Indriati Khoe	Non-Executive Director

All RC members are Non-Executive Directors, two out of three of whom, including the Chairman, are 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 Directors 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 the Managing Director cum Chief Executive Officer of the Company and submitted for endorsement by the entire Board. No Director shall participate in decisions on his/her own remuneration. The payment of Directors' fees are subject to the approval of shareholders.

Remuneration matters of the Directors, Executive Chairman and the Managing Director cum Chief Executive Officer 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 and the Managing Director cum Chief Executive Officer will make recommendations for the RC's consideration and review. The RC's role also includes the review of Executive Directors 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 Non-Executive 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. Non-Executive Directors' 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 Directors 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 FY2019 is set out below:

Name	Fixed Salary[1]	Director Fees	Bonus and Incentives	Other benefits-in-Kind
Remuneration Band from S$250,001 to S$500,000				
Executive Directors				
Koh Eddie	89%	-	7%	4%
Richard Koh Chye Heng	85%	-	7%	8%
Key Executive				
Harvey Kwan Koon Ho [1]	30%	-	70%	-
Remuneration Band between S$200,001 to S$300,000				
Key Executive who is a family member of the Executive Directors				
Kelly Koh Mee Lin[2]	59%	-	40%	1%
Remuneration Band up to S$250,000				
Independent Directors				
Lam Kwong Fai	–	100%	–	–
Wu Yu Liang	–	100%	–	–
Non-Executive Director				
Indriati Khoe	–	100%	–	–
Key Executive				
Chew Khong Yuen[3]	100%	–	–	–
Isaiah Yap Chun Hong[4]	93%	–	7%	–
Tan Wei Hong [5]	71%	–	29%	–

Notes:
(1) Mr Harvery Kwan is the General Manager of Pan Asia Water Solutions (HK) Limited..
(2) Ms. Kelly 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. Kelly Koh.
(3) Mr. Chew Khong Yuen resigned as the Group Financial Controller on 15 August 2019.
(4) Mr. Isaiah Yap Chun Hong was appointed as the Group Financial Controller on 16 August 2019.
(5) Mr. Tan Wei Hong is the General Manager and Engineering Manager of MUHR Asia Pte Ltd and Pan Asian Flow Technology Pte Ltd

The Group has five key executives (including Mr Chew Khong Yuen who has resigned as Group Financial Controller on 15 August 2019) during FY2019.

The performance conditions used to determine the entitlement of the Executive Directors and top 5 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 FY2019.

For FY2019, there were 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.

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 S$100,000 in the Company's employment for the financial year ended 31 December 2019.

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 are effective and adequate as at 31 December 2019.

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 Managing Director cum Chief Executive Officer and Group Financial Controller that the financial records for FY2019 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. 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 the majority of whom, including AC Chairman, are 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
Indriati Khoe	Non-Executive 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. Ms. Khoe of the AC is also trained in financial management.

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 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 adequacy, effectiveness, independence, scope and results of the external audit and the issuer's internal audit function.

(c) 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;

(d) 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;

(e) to review the assurance from the Chief Executive Officer and the Group Financial Controller on the financial records and financial statements;

(f) 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.

(g) to review and approve interested person transactions;

(h) 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;

(i) to review the nature and extent of non-audit services provided by the external auditor; and

(j) 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 FY2019, 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 FY2019, 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 S$145,000 and S$12,300, 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 AGM.

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 Company is in the midst of updating its whistle-blowing framework, where all parties, and not just the employees, may raise concerns about possible corporate improprieties in all matters. The Company intends to finalise and implement the updated whistle-blowing framework by 31 December 2020. 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, Catalist 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 FY2019 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 RESPONSIBLITIES

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 annual general meeting is the principal forum for dialogue with shareholders. There is an open question and answer session at which shareholders may raise questions or share their views regarding the proposed resolutions and the Company's businesses and affairs. 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.

The Chairman and members of the Board, the Chairman of all Board Committees and the Company's external auditor will be present at the annual general meeting of the Company to address any queries from shareholders. The Management and external auditor are available to address shareholders' queries about the conduct of audit and the financial statements, including the contents of the auditors' report and key audit matters. The Company Secretary is also present at the meeting to address the shareholders' queries about the rules governing the general meetings and preparation of minutes of the meetings.

At the annual general meeting held in 2019, all resolutions were put for vote by poll. The attendees were briefed of the regulations governing the voting process and details prior to the commencement of poll. 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 meetings via SGXNET.

The proceedings of the annual general meeting and extraordinary general meeting (if any) are properly recorded in the minutes, including all comments or queries raised by shareholders relating to the agenda of the meeting and responses from the Board and Management.

The minutes of general meetings of the Company will be published at the website of the Company as soon as practicable, for the information of the shareholders.

The Company's Constitution allows a member of the Company who is not a relevant intermediary to appoint not more than two proxies to attend and vote at general meetings. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at general meetings. For the time being, the Board is of the view that two proxies for each non-intermediary member is adequate to enable shareholders to participate in general meetings of the Company and is proposing to amend the Constitution to allow votes in absentia in an extraordinary general meeting to be convened in 2020. Please refer to the announcements of the Company dated 3 April and 7 April 2020. All shareholders have the opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings. "Bundling" of resolutions are kept to a minimum and done only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

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 are 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 FY2019 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 FY2019 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 $100,000)
		S$'000	S$'000
Payments made by the Group to Duvalco Wuxi ("DVW")			
* Rental of manufacturing equipment by Duvalco Valves & Fittings (Wuxi) Co. Ltd. ("DVFW") from DVW between January 2019 to December 2019.	A	160.0	-
* Rental of manufacturing premises by DVFW from DVW between January 2019 to December 2019.	A	240.0	-
Cost reimbursement for employment of DVW staffs by DVFW between January 2019 to December 2019 in relation to the Set Up as disclosed in the announcement dated 12 April 2018.	A	108.5	-
Total		**508.5**	**-**

Notes:

* Rental agreements between DVW and DVFW on equipment and premises had lapsed on 31 March 2019. As mutually agreed between DVW and DVFW, rental from 1 April 2019 to 31 December 2019 are being paid on monthly basis at the same rate as the lapsed rental agreement, until DVFW ceases operations as a result of DVW's relocation.

A. DVW is a company wholly-owned by Mr Richard Koh Chye Heng, the Executive Chairman of the Company.

Save for the above, there was no other interested party transaction that is S$100,000 and above for FY2019. 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, Managing Director cum Chief Executive Officer, other Director or controlling shareholder of the Company, either still subsisting at the end of FY2019 or entered into since the end of the previous financial year.

NON-SPONSOR FEES

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2019.

SUSTAINABILITY REPORT

The Company will publish its sustainability report in respect of sustainability practices of the Group for FY2019 on the SGXNet no later than 31 May 2020.

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 2019.

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
Koh Eddie
Lam Kwong Fai
Wu Yu Liang
Indriati Khoe

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:

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

STATEMENT BY DIRECTORS

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

	Direct interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**
In the parent Company – Xu Jia Zu Holdings Pte. Ltd.	**Number of shares of no par value**	
Richard Koh Chye Heng	750,050	750,050
	1 [(a)]	1 [(a)]
Koh Eddie	750,052	750,052

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 2020 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.

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.

STATEMENT BY DIRECTORS

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)
Indriati Khoe	(Non-executive 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.
- 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 2019.

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 28 February 2020, 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	**Koh Eddie**
Director	Director

6 April 2020

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 2019, 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the 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

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 2019.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS (CONT'D)

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

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

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

We also provide 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.

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

6 April 2020

Engagement partner – effective from year ended 31 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000
Revenue	5	23,372	25,290
Cost of sales		(15,445)	(19,048)
Gross profit		7,927	6,242
Interest income		5	9
Other gains	6	284	471
Marketing and distribution costs	7	(2,916)	(3,180)
Administrative expenses	7	(4,191)	(4,257)
Finance costs	9	(235)	(153)
Other losses	6	(356)	(285)
Share of profit from equity-accounted associate		115	18
Share of profit from equity-accounted joint ventures		22	58
Profit / (loss) before tax		655	(1,077)
Income tax expense	10	(219)	(150)
Profit / (loss) net of tax		436	(1,227)
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– (Losses) / gains		(198)	55
– Reclassification to profit or loss arising from disposal of subsidiary		–	11
Other comprehensive (loss) / income for the year, net of tax		(198)	66
Total comprehensive income / (loss)		238	(1,161)
Profit / (loss) attributable to owners of the parent, net of tax		408	(1,221)
Profit / (loss) attributable to non-controlling interests, net of tax		28	(6)
Profit / (loss) net of tax		436	(1,227)
Total comprehensive income / (loss) attributable to owners of the parent		210	(1,155)
Total comprehensive income / (loss) attributable to non-controlling interests		28	(6)
Total comprehensive income / (loss)		238	(1,161)
Profit / (loss) per share		Cents	Cents
Basic and diluted	11	0.19	(0.57)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

Statements of Financial Position
As at 31 December 2019

		Group		Company	
	Notes	2019	2018	2019	2018
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	12	9,315	8,945	2,767	2,989
Right-of-use assets	14	96	–	–	–
Investments in subsidiaries	15	–	–	2,916	3,467
Investments in associate	16	199	647	–	–
Investments in joint ventures	17	163	101	–	–
Land use rights	18	–	1,184	–	–
Other assets, non-current	19	26	18	18	18
Total non-current assets		9,799	10,895	5,701	6,474
Current assets					
Asset held for sale under SFRS(I) 5	13	2,591	1,152	2,909	1,038
Inventories	20	1,791	2,532	92	110
Trade and other receivables, current	21	6,682	9,973	6,613	7,373
Contract assets, current	19	933	–	–	–
Other assets, current	19	899	1,106	365	84
Income tax recoverable		–	208	–	–
Cash and cash equivalents	22	5,563	2,837	1,412	562
Total current assets		18,459	17,808	11,391	9,167
Total assets		28,258	28,703	17,092	15,641
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	23	15,300	15,300	15,300	15,300
Other reserves	24	(233)	(79)	–	–
Retained earnings / (accumulated losses)		763	366	(1,626)	(2,127)
Equity, attributable to owners of the parent		15,830	15,587	13,674	13,173
Non-controlling interests		–	(6)	–	–
Total equity		15,830	15,581	13,674	13,173
Non-current liabilities					
Deferred tax liabilities	10	–	53	–	33
Other financial liabilities, non-current	25	3,775	2,761	–	–
Total non-current liabilities		3,775	2,814	–	33

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current liabilities					
Liabilities associated with assets held for sale	13	590	–	–	–
Lease liabilities, current	27	96	–	–	–
Income tax payable		73	–	–	–
Other financial liabilities, current	25	565	1,026	–	33
Contract liabilities, current	26	362	–	–	–
Trade and other payables, current	28	6,967	9,282	3,418	2,402
Total current liabilities		8,653	10,308	3,418	2,435
Total liabilities		12,428	13,122	3,418	2,468
Total equity and liabilities		28,258	28,703	17,092	15,641

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

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 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)
Previous year:						
Opening balance at 1 January 2018	16,732	(7)	16,739	15,300	1,573	(134)
Changes in equity:						
Total comprehensive (loss) / income for the year	(1,161)	(6)	(1,155)	–	(1,221)	66
Disposal of subsidiary with a change in control	10	7	3	–	14	(11)
Closing balance at 31 December 2018	15,581	(6)	15,587	15,300	366	(79)

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

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

YEAR ENDED 31 DECEMBER 2019

Company:	Total equity $'000	Share capital $'000	Retained earnings / (accumulated losses) $'000
Current 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)
Previous year:			
Opening balance at 1 January 2018	16,032	15,300	732
Changes in equity:			
Total comprehensive loss for the year	(2,859)	–	(2,859)
Closing balance at 31 December 2018	13,173	15,300	(2,127)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Profit / (loss) before tax	655	(1,077)
Adjustment for:		
Amortisation of land use rights	57	59
Depreciation of property, plant and equipment	754	708
Depreciation of right-of-use assets	83	–
Interest income	(5)	(9)
Interest expense	235	153
Losses / (gains) on disposal of subsidiaries, net	44	(1)
Losses on disposal of associate, net	29	–
Gains on disposal of joint ventures, net	–	(69)
Gains / (losses) on disposal of plant and equipment, net	(30)	7
Share of profit from equity-accounted associate	(115)	(18)
Share of profit from equity-accounted joint ventures	(22)	(58)
Operating cash flow before changes in working capital	1,685	(305)
Trade and other receivables	3,858	(2,895)
Contract assets	(933)	–
Other assets	21	(412)
Inventories	741	408
Trade and other payables	(1,709)	4,310
Contract liabilities	362	–
Net cash flows from operations	4,025	1,106
Income taxes refunded / (paid)	28	(347)
Net cash flows from operating activities	4,053	759
Cash flows from investing activities		
Acquisition of associate	–	(40)
Disposal of subsidiaries (net of cash disposed) (Note 15A)	(19)	(3)
Increase of investment in joint venture	(40)	–
Interest received	5	9
Proceeds from disposal of plant and equipment	213	9
Purchase of property, plant and equipment (Note 22A)	(398)	(2,853)
Net cash flows used in investing activities	(239)	(2,878)
Cash flows from financing activities		
Finance lease repayment	(96)	(105)
Decrease in other financial liabilities	(78)	–
Increase in borrowings	486	1,730
Interest paid	(230)	(153)
Lease liability – principal portion paid	(87)	–
Loans and borrowings paid	(1,001)	(322)
Net cash flows (used in) / from financing activities	(1,006)	1,150
Net increase / (decrease) in cash and cash equivalents	2,808	(969)
Effect of exchange rate changes on cash and cash equivalent	(82)	(47)
Cash and cash equivalents, statement of cash flows, beginning balance	2,837	3,853
Cash and cash equivalents, statement of cash flows, ending balance (Note 22)	5,563	2,837

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. General (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

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.

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 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term. A right-of-use asset is recognised. For these leases, a right-of-use asset is recognised.

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 2019

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

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.

Impairment 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2B. Other explanatory information (cont'd)

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.

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 $1,791,000 (2018: $2,532,000) and $92,000 (2018: $110,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

Net realisable value of land use rights:
The Group has land use rights at a carrying value of $1,095,000 (2018: $1,184,000) disclosed under Notes 13 and 18 respectively for FY2019 and FY2018. An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The Group has entered into a Sales and Purchase agreement to dispose its entire shareholdings in its wholly owned subsidiary which owns the land use rights. The completion of the disposal of the said subsidiary is subject to the Group obtaining requisite approvals for the disposal and transfer of the shares from the relevant authorities, if not approved, may potentially result in an impairment to the land use rights. See Note 18 further details. Details of the commitments are disclosed in Note 30.

Allowance for trade 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

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 $9,315,000 (2018: $8,945,000) and $2,767,000 (2018: $2,989,000) respectively.

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:

Name	Relationship	Country of incorporation
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 2019

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:

	2019 $'000	2018 $'000
Director:		
Professional fee expense	4	–
Other related parties:		
Factory rental expense	240	229
Rental of manufacturing equipment expense	160	138
Royalty fees expense	28	35
Purchases of goods	–	563

3C. Key management compensation:

	2019 $'000	2018 $'000
Salaries and other short-term employee benefits	1,885	1,818

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

	2019 $'000	2018 $'000
Remuneration of directors of the Company	737	733
Remuneration of directors of the subsidiaries	319	214
Fees to directors of the Company	137	137
Fees to a firm in which a director is a member	4	–

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

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

	Subsidiaries Company	
	2019	2018
	$'000	$'000
Other receivables (payables):		
Balance at beginning of the year – net debit	9,031	9,547
Amount paid out and settlement of liabilities on behalf of subsidiaries	342	–
Amounts paid in and settlement of liabilities on behalf of the Company	–	(516)
Capitalisation of receivable from PAFT as investment in subsidiary (see Note 15[10])	(1,500)	–
Balance at end of the year – net debit	7,873	9,031
Presented in the statement of financial position as follows:		
Other receivables (Note 21)	8,774	9,038
Other payables (Note 28)	(901)	(7)
Net	7,873	9,031

	Ultimate parent company			
	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other payables:				
Balance at beginning of the year	(1,657)	(1,715)	(1,657)	(1,715)
Amounts paid out and settlement of liabilities on behalf of ultimate parent company	66	58	66	58
Balance at end of the year (Note 28)	(1,591)	(1,657)	(1,591)	(1,657)

	Related parties			
	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other receivables (payables):				
Balance at beginning of the year – net debit	215	197	–	80
Amounts paid in and settlement of liabilities on behalf of the Company	(77)	(80)	–	(80)
Amounts paid out and settlement of liabilities on behalf of the related parties	715	98	25	–
Balance at end of the year – net debit	853	215	25	–
Presented in the statement of financial position as follows:				
Other receivables (Note 21)	1,326	611	25	–
Other payables (Note 28)	(473)	(396)	–	–
Net	853	215	25	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

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

4B. Profit or loss from continuing operations and reconciliations

	GT		ES		VA		Others		Unallocated		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment												
External revenue	10,146	14,066	7,913	5,368	3,459	5,327	1,854	529	–	–	23,372	25,290
Segment results :–												
Gross profit	4,413	3,164	2,808	833	691	1,737	15	508	–	–	7,927	6,242
Interest income							–	–	5	9	5	9
Finance costs							–	–	(235)	(153)	(235)	(153)
Amortisation of land use rights							(57)	(59)	–	–	(57)	(59)
Depreciation of property, plant and equipment							–	–	(754)	(708)	(754)	(708)
Depreciation of right-of-use assets							–	–	(83)	–	(83)	–
Employee benefits expenses							–	–	(4,142)	(4,201)	(4,142)	(4,201)
Unallocated corporate expenses							–	–	(2,071)	(2,469)	(2,071)	(2,469)
Other (loss) / gains							–	–	(72)	186	(72)	186
Share of profit (loss) from equity-accounted associate							–	–	115	18	115	18
Share of profit (loss) from equity-accounted joint ventures							–	–	22	58	22	58
Profit / (loss) before tax											655	(1,077)
Income tax expenses											(219)	(150)
Profit / (loss) net of tax											436	(1,227)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

4C. Assets, liabilities and reconciliations

	GT		ES		VA		Others		Unallocated		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets												
Trade and other receivables	2,866	5,360	973	1,946	599	1,589	2,244	1,078	–	–	6,682	9,973
Contract assets	131	–	802	–	–	–	–	–	–	–	933	–
Property, plant and equipment							–	–	9,315	8,945	9,315	8,945
Land use rights							–	–	–	1,184	–	1,184
Cash and cash equivalents							–	–	5,563	2,837	5,563	2,837
Asset held for sale under SFRS(I) 5							–	–	2,591	1,152	2,591	1,152
Other assets							–	–	925	1,124	925	1,124
Others							–	–			2,249	3,488
Total assets											28,258	28,703
Reportable segment liabilities												
Trade and other payables							–	–	6,967	9,282	6,967	9,282
Other financial liabilities							–	–	4,340	3,787	4,340	3,787
Liabilities associated with assets held for sale under SFRS(I) 5							–	–	590	–	590	–
Others							–	–	531	53	531	53
Total liabilities											12,428	13,122
Capital expenditure							–	–	398	2,853	398	2,853

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

4D. Geographical information

	Revenue		Non-current assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore	12,975	8,781	9,508	9,082
China	2,876	3,235	100	1,613
Europe	1,628	2,508	–	79
Hong Kong	5,893	10,602	95	120
Indonesia	–	–	–	1
Japan	–	164	–	–
Subtotal for all foreign countries	10,397	16,509	195	1,813
Total	23,372	25,290	9,703	10,895

4E. Information about major customers

	2019	2018
	$'000	$'000
Top 1 customer in GT segment	2,738	4,877

5. Revenue

Revenue from contracts with customers
#A. Revenue classified by type of good or service:

	Group	
	2019	2018
	$'000	$'000
Sale of goods	21,787	24,977
Commission income	783	313
Services	802	–
Total revenue	23,372	25,290

#B. Revenue classified by duration of contract:

	Group	
	2019	2018
	$'000	$'000
Short-term contracts – less than 12 months	22,570	25,290
Long-term contracts – over 12 months	802	–
Total revenue	23,372	25,290

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. Revenue (cont'd)

#C. Revenue classified by timing of revenue recognition:

	Group 2019 $'000	Group 2018 $'000
Point in time	22,570	25,290
Over time	802	–
Total revenue	23,372	25,290

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 gains and (other losses)

	Group 2019 $'000	Group 2018 $'000
Amortisation of land use rights (Note 18)	(57)	(59)
Bad debts written off trade receivables	–	(18)
Foreign exchange adjustment gains / (losses), net	9	(91)
Gain / (loss) on disposal of plant and equipment, net	30	(7)
(Loss) / gains on disposal of subsidiaries, net (Note 15)	(44)	1
Gains on disposal of joint ventures, net (Note 17)	–	69
Loss on disposal of associate, net (Note 16)	(29)	–
Government grant	28	48
Inventories write down reversal (Note 20)	39	6
Inventories written off	(216)	(11)
Net allowance for impairment on trade receivables – loss (Note 21)	(5)	(99)
Recharge of payroll cost to joint venture	–	240
Write back of bad debts written off, net	35	19
Write back of impairment loss on trade receivables	–	6
Sundry income	143	82
Sundry expenses	(5)	–
Net	(72)	186
Presented in profit or loss as:		
Other gains	284	471
Other losses	(356)	(285)
Net	(72)	186

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. Marketing and distribution costs, and administrative expenses

The major components include the following:

	Group 2019 $'000	Group 2018 $'000
Marketing and distribution costs		
Employee benefits expense (Note 8)	1,901	2,090
Depreciation of property, plant and equipment (Note 12)	53	54
Administrative expenses		
Employee benefits expense (Note 8)	2,194	2,109
Depreciation of property, plant and equipment (Note 12)	587	514
Depreciation of right-of-use assets (Note 14)	83	–

8. Employee benefits expense

	Group 2019 $'000	Group 2018 $'000
Employee benefits expense	3,578	3,576
Contributions to defined contribution plan	355	378
Other benefits	209	248
Total employee benefits expense	4,142	4,202

The employee benefits expense is charged under:

	Group 2019 $'000	Group 2018 $'000
Administrative expenses (Note 7)	2,194	2,109
Cost of sales	47	3
Marketing and distribution costs (Note 7)	1,901	2,090
	4,142	4,202

9. Finance costs

	Group 2019 $'000	Group 2018 $'000
Interest expense	230	153
Interest on lease liabilities (Note 27)	5	–
Total finance costs	235	153

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. Income tax

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

	Group 2019 $'000	Group 2018 $'000
Current tax expense:		
Current tax expense	219	174
Under / (over) adjustments in respect of prior periods	33	(24)
Subtotal	252	150
Deferred tax income:		
Deferred tax income	(33)	–
Total income tax expense	219	150

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% (2018: 17%) to profit or loss before income tax as a result of the following differences:

	Group 2019 $'000	Group 2018 $'000
Profit / (loss) before tax	655	(1,077)
Less: Share of profit / (loss) from equity-accounted associate	(115)	(18)
Less: Share of profit / (loss) from equity-accounted joint ventures	(22)	(58)
	518	(1,153)
Income tax expense / (credit) at the above rate	88	(196)
Effect of different tax rates in different countries	(14)	(6)
Two-tiered profits tax regime	23	(28)
(Not liable to tax items) / non-deductible items	23	143
Deferred tax assets not recognised	96	149
Previously unrecognised deferred tax recognised this year	–	113
Under / (over) adjustments in respect of prior periods	33	(24)
Other minor items less than 3% each	(30)	(1)
Total income tax expense	219	150

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

The major non-deductible items include the following:

	Group 2019 $'000	Group 2018 $'000
Amortisation on land use right	10	10
Depreciation on non-qualifying plant and equipment	56	68
Inventories write down reversal	–	(1)
Motor vehicle expenses (S-plated cars)	10	6
Net allowance for impairment on trade receivables	(34)	19

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. Income tax (cont'd)

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

	Group	
	2019 $'000	2018 $'000
Excess of tax values over book value of property, plant and equipment	6	(42)
Tax loss carryforwards	149	192
Provisions	(6)	(1)
Reclassified to liabilities associated with asset held for sale	(20)	–
Deferred tax assets not recognised	(96)	(149)
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:

	Group	
	2019 $'000	2018 $'000
Deferred tax (liabilities)/assets recognised in profit or loss:		
Excess of tax values over book value of property, plant and equipment	(15)	(21)
Tax loss carryforwards	993	844
Provisions	20	26
Deferred tax assets not recognised	(998)	(902)
Net deferred tax liabilities	–	(53)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. Income tax (cont'd)

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

Movements in deferred tax balances in the balance sheet are as follows:

	Company	
	2019	2018
	$'000	$'000
Deferred tax assets / (liabilities):		
Excess of tax values over book value of property, plant and equipment	(2)	9
Tax loss carryforwards	824	747
Provisions	11	17
Deferred tax assets not recognised	(833)	(806)
Net deferred tax liabilities	–	(33)

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. Earnings / (losses) per share

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

	2019	2018
	$'000	$'000
A. Numerator: loss attributable to equity:		
Continuing operations:		
Total basic and diluted earnings / (losses) attributable to owners of the parent	408	(1,221)
	No. of shares '000	No. of shares '000
B. Denominator: weighted average number of equity shares		
Basic and diluted	214,202	214,202

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. Property, plant and equipment

Group	Construction in-progress	Leasehold land and properties	Plant and equipment	Total
	$'000	$'000	$'000	$'000
Cost:				
At 1 January 2018	304	5,233	4,054	9,591
Additions	2,547	–	396	2,943
Disposals	–	–	(22)	(22)
Foreign exchange adjustments	(9)	–	(30)	(39)
At 31 December 2018	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 under SFRS(I) 5	(287)	–	(82)	(369)
Disposals	–	–	(646)	(646)
Foreign exchange adjustments	(8)	–	(52)	(60)
At 31 December 2019	–	8,900	4,138	13,038
Accumulated depreciation:				
At 1 January 2018	–	115	2,738	2,853
Depreciation for the year	–	174	534	708
Disposals	–	–	(6)	(6)
Foreign exchange adjustments	–	–	(27)	(27)
At 31 December 2018	–	289	3,239	3,528
Depreciation for the year	–	319	435	754
Reclassified to asset held for sale under SFRS(I) 5	–	–	(51)	(51)
Disposals	–	–	(463)	(463)
Foreign exchange adjustments	–	–	(45)	(45)
At 31 December 2019	–	608	3,115	3,723
Net book value:				
At 1 January 2018	304	5,118	1,316	6,738
At 31 December 2018	2,842	4,944	1,159	8,945
At 31 December 2019	–	8,292	1,023	9,315

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

	Group	
	2019	2018
	$'000	$'000
Cost of sales	114	140
Marketing and distribution costs (Note 7)	53	54
Administrative expenses (Note 7)	587	514
Total	754	708

Assets held in trust

Leasehold properties of $3,499,000 (2018: $3,544,000), classified under property, plant and equipment and asset held for sale under SFRS(I) 5 of $2,461,000 and $1,038,000 (see Note 13) (2018: $2,506,000 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.

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

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 $5,831,000 (2018: $2,438,000) are mortgaged for bank facilities (Note 25B).

Certain motor vehicles are under finance lease agreements (Note 25C).

Assets under construction

Properties include buildings in the course of construction with a cost of $Nil (2018: $2,842,000).

Company	Leasehold properties	Plant and equipment	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2018	2,644	2,105	4,749
Additions	–	26	26
Disposal	–	(22)	(22)
At 31 December 2018	2,644	2,109	4,753
Additions	–	11	11
Disposal	–	(332)	(332)
At 31 December 2019	2,644	1,788	4,432
Accumulated depreciation:			
At 1 January 2018	93	1,381	1,474
Depreciation for the year	45	251	296
Disposal	–	(6)	(6)
At 31 December 2018	138	1,626	1,764
Depreciation for the year	45	188	233
Disposal	–	(332)	(332)
At 31 December 2019	183	1,482	1,665
Net book value:			
At 1 January 2018	2,551	724	3,275
At 31 December 2018	2,506	483	2,989
At 31 December 2019	2,461	306	2,767

13. Held for sale under SFRS(I) 5

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Assets held for sale:				
Property in Malaysia held for disposal (i)	114	114	–	–
Property in Singapore held for disposal (ii)	1,038	1,038	1,038	1,038
Subsidiary held for sale (iii)	1,439	–	1,871	–
	2,591	1,152	2,909	1,038
Liabilities associated with assets held for sale:				
Investment held for sale (iii)	590	–	–	–

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13. Held for sale under SFRS(I) 5 (cont'd)

(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.

(ii) A property in Singapore, is 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.

(iii) As disclosed in Note 15[(9)], following shareholder's approval of the proposed disposal of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAM"), 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 was reclassified to assets held for sale and liabilities associated with assets held for sale respectively during the reporting year ended 31 December 2019.

14. Right-of-use assets

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

Group	Office space $'000
Cost:	
Adoption of SFRS(I) 16 Leases on 1 January 2019	179
At 31 December 2019	179
Accumulated depreciation:	
At 1 January 2019	–
Depreciation for the year	83
At 31 December 2019	83
Carrying value:	
At 1 January 2019	179
At 31 December 2019	96

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 determine that the right-of-use asset is impaired. The right-of-use asset for operating leases in existence at 1 January 2019 to include initial direct costs.

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15. Investments in subsidiaries

	Company 2019 $'000	Company 2018 $'000
At cost:		
Balance at beginning of the year	9,641	9,811
Additions	1,500	–
Disposal	(180)	(170)
Reclassified to asset held for sale under SFRS(I) 5 [9] (Note 13)	(4,500)	–
	6,461	9,641
Allowance for impairment	(3,545)	(6,174)
Balance at the end of the year	2,916	3,467
Movements in allowance for impairment:		
Balance at beginning of the year	6,174	6,202
Impairment loss charge to profit or loss included in other losses	–	142
Reclassified to asset held for sale under SFRS(I) 5 [9] (Note 13)	(2,629)	–
Written off on disposal	–	(170)
Balance at end of the year	3,545	6,174
Net book value of subsidiaries	4,073	4,810

During the reporting year ended 31 December 2018, the decreasing performance of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAM") was considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to $142,000 to write down the cost of investments to their recoverable amount.

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

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group 2019 $'000	Cost in books of Group 2018 $'000	Effective percentage of equity held by Group 2019 %	Effective percentage of equity held by Group 2018 %
Pan Asian Flow Technology Pte. Ltd. [1], [10] Singapore Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Chio Lim LLP)	2,000	500	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

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15. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2019	2018	2019	2018
	$'000	$'000	%	%
Sacha Inchi Pte. Ltd. (1), (5) Singapore General importers and exporters for teas (RSM Chio Lim LLP)	–	–	100	100
PA Tech (Asia) Pte. Ltd. (8) Singapore Supply marine and offshore products (RSM Chio Lim LLP)	–	180	–	60
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) People's Republic of China General importers and exporters of pipes and valves (Zhong Peng Public Accountants)	330	330	100	100
Pan Asian Manufacturing (Tianjin) Co. Ltd (4), (9) People's Republic of China Manufacturing and supply of pipes, fittings, valves and other related accessories	–	4,500	–	100
PT. Pan Asian Water Solutions (3), (4) Indonesia Exporting and importing of products of water treatment (PT. ASA Indonesia)	151	151	100	100
W.D. Moore (2013) Pty Ltd (3), (4), (11) Australia Supply of windmill and solar-powered water pumping systems (Optima Audit Pty Ltd)	394	394	100	100
Total in books of the Company	6,461	9,641		

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15. Investments in subsidiaries (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2019	2018	2019	2018
	$'000	$'000	%	%
Held by Duvalco Valves and Fittings Pte. Ltd.				
Duvalco B.V. (6) Netherlands Manufacturing of valves and fittings (RSM Rotterdam)	1,006	1,006	100	100
Duvalco Valves & Fittings (Wuxi) Co., Ltd (3) People's Republic of China Manufacturing of valves and fittings (Kreston Jiangsu Gongqing CPA)	430	430	100	100
Held by Sacha Inchi Pte. Ltd.				
Sacha Inchi (Thailand) Co., Ltd. (4), (7) Thailand General trading	–	–	100	100

(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 2019 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. RSM Rotterdam appointed to perform agreed upon procedures for group consolidation purposes.

(7) On 30 August 2018, the Group incorporated a 100% owned subsidiary, Sacha Inchi (Thailand) Co., Ltd. with registered capital of THB2,000,000 (approximately to $80,000) which remains unpaid as at date of this report. The amount of THB2,000,000 was paid subsequent to the reporting year ended 31 December 2019 on 21 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in subsidiaries (cont'd)

(8) On 14 August 2019, the Company entered into a share transfer agreement to dispose its entire shareholding interest in its 60% owned subsidiary, PA Tech Asia Pte. Ltd. ("PA Tech"), to its non-controlling shareholder for a consideration of $1. Correspondingly, the amount payable by the Company to PA Tech of $114,000 was waived. Accordingly, a net loss on disposal of $44,000 was recognised in the profit or loss included in other losses (see Note 6) in the reporting year ended 31 December 2019.

(9) 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 (Note 13). Consequentially, PAM's assets and liabilities of the Group were reclassified to assets held for sale and liabilities associated with assets held for sale respectively (Note 13). A deposit of $576,000 (RMB 3million) was received (see Note 28[(b)]) during the year and the original latest contracted completion was 28 February 2020. Due to the current Covid-19 situation, the completion was deferred to a date to be agreed mutually. However, the disposal is expected to be completed during the reporting year ending 31 December 2020.

(10) 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.

(11) During the reporting year ended 31 December 2019, the Group commenced liquidation of W.D. Moore (2013) Pty Ltd ("WDM"). The cost of investment in WDM amounting to $394,000 has been fully impaired since the reporting year ended 31 December 2016.

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.

There are subsidiaries that have non-controlling interests ("NCI") that are considered material to the reporting entity and additional disclosures on them are presented below.

	Group	
	2019	2018
	$'000	$'000
Name of the subsidiary: PA Tech (Asia) Pte. Ltd.:		
#1. The loss allocated to NCI of the subsidiary during the reporting year:	–	(6)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. Investments in subsidiaries (cont'd)

15A. Disposal of subsidiaries

2019:

The subsidiary, PA Tech (Asia) Pte Ltd was deconsolidated on 1 August 2019 (See Note 15[8]).

The results for the reporting year from the disposal 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:

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

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.

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

	2019
	$'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

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in subsidiaries (cont'd)

15A. Disposal of subsidiaries (cont'd)

2019: (cont'd)

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

	Total $'000
Cash and cash equivalents disposed of	(19)
Net cash outflow	(19)

2018:

The subsidiaries, Pan Asian Investment Pte Ltd ("PAI"), PA Pte (Thailand) Company Limited ("PAPTE") and Pan Asian Holdings (B) Sdn Bhd ("PAB") was deconsolidated on 1 January 2018.

The results for the reporting year from the deregistration of the subsidiaries (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 2018 were as follows:

	Group	
	At date of disposal in 2018 $'000	2017 $'000
Revenue	–	3
Expenses	–	–
Profit before tax before disposal	–	3
Presented as:		
Gain on disposal of subsidiaries, included in profit or loss under other gains (Note 6)	1	–
Foreign currency translation reserve reclassified to profit or loss included in other comprehensive income	11	–
Net gain on disposal	12	–

A net gain on disposal of $1,000 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 December 2017 were used to determine the above gain / loss on disposal of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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15. Investments in subsidiaries (cont'd)

15A. Disposal of subsidiaries (cont'd)

2018: (cont'd)

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

	PAI $'000	PAPTE $'000	PAB $'000	Total $'000
Cash and cash equivalents	–	3	–	3
Trade and other payables	(1)	(21)	–	(22)
Net carrying amount of assets disposed	(1)	(18)	–	(19)
Less: Non-controlling interests	–	7	–	7
Net assets disposed	(1)	(11)	–	(12)
Less: Foreign currency translation reserve	–	11	–	11
Gains on disposal (Note 6)	1	–	–	1
Total consideration	–	–	–	–

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

	PAI $'000	PAPTE $'000	PAB $'000	Total $'000
Cash consideration	–	–	–	–
Cash and cash equivalents disposed of	–	(3)	–	(3)
Net cash outflow	–	(3)	–	(3)

16. Investments in associate

	Group	
	2019 $'000	2018 $'000
Movements in carrying value:		
Balance at beginning of the year	647	623
Additions	–	40
Disposal	(597)	–
Adjustment for share of unrealised income	34	(34)
Share of profits for the year	115	18
Balance at end of year	199	647
Share of net book value of associates	199	952

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16. Investments in associate (cont'd)

Name of associates, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2019	2018	2019	2018
	$'000	$'000	%	%
Held by Duvalco Valves and Fittings Pte. Ltd.				
DWK (Tianjin) Co., Limited [(2), (3)] People's Republic of China Manufacturing of valves and fittings (Zhong Peng Public Accountants)	–	634	–	25
Held by Pan Asian Flow Technology Pte. Ltd.				
SPJV Integrated LLP [(1), (4)] Singapore Building construction	40	40	10	10

(1) Audited by RSM Chio Lim LLP

(2) 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 firm.

(3) On 1 July 2019, the Group entered into a Sales and purchase agreement with a third party buyer for the entire 25% shareholdings of DWK (Tianjin) Co. Limited for a total consideration of RMB3.125million ($625,000 equivalent). A loss on disposal of $29,000 was recognised in the profit or loss included in other losses during the reporting year ended 31 December 2019 (see Note 6).

(4) 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.

	Group	
	2019	2018
	$'000	$'000
Aggregate for all non-material associates:		
Profit from continuing operations	1,146	340
Total comprehensive income	1,146	340
Net assets of the associate	1,993	3,153

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 2019

16. Investments in associate (cont'd)

16A. Disposal of associate

The associate, DWK (Tianjin) Co. Limited ("DWKTJ") was deconsolidated on 31 December 2018 (See Note 16[(3)]).

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:

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

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

	DWKTJ $'000
Total consideration	–
Cash and cash equivalents disposed of	–
Net cash inflow	–

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.

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17. Investments in joint ventures

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Movements in carrying value:				
Balance at beginning of year	101	138	–	100
Additions [5]	40	–	–	–
Disposal	–	(95)	–	(100)
Share of profits for the year	22	58	–	–
Balance at end of year	163	101	–	–
Carrying value:				
Unquoted equity share at cost	90	98	–	–
Share of post-acquisition profits	73	3	–	–
	163	101	–	–
Movements in allowance for impairment:				
Balance at beginning of the year	–	(5)	–	(5)
Written off on disposal	–	5	–	5
Balance at end of the year	–	–	–	–
Share of net book value of joint ventures	157	96	–	–

Name of joint ventures, country of incorporation, place of operations and principal activities (and independent auditor)	Effective percentage of equity held by the Group 2019 %	Effective percentage of equity held by the Group 2018 %
Held by Pan Asian Flow Technology Pte. Ltd.		
Muhr Asia Pte. Ltd. [1], [3], [4], [5] Singapore Manufacture and repair of water / waste water treatment equipment	50	50
Held by Duvalco Valves & Fittings Pte. Ltd.		
Duvalco UK Limited [2] United Kingdom Selling valves and pipes within United Kingdom	50	50

(1) Audited by RSM Chio Lim LLP.

(2) Not audited as it is immaterial. The unaudited management financial statements as at 31 December 2019 have been used for consolidation purposes.

(3) Cost of investment less than $1,000

(4) During the reporting year ended 31 December 2018, on 6 September 2018, Pan Asian Flow Technology Pte Ltd ("PAFT"), a subsidiary of the Group and its joint venture partner E & R Muhr Holding GmbH, incorporated in Germany, incorporated a 50% owned company, Muhr Asia Pte. Ltd. ("Muhr Asia") with a paid up capital of $1.

(5) During the reporting year ended 31 December 2019, both PAFT and its joint venture partner increased their investment in Muhr Asia by $39,999 by way of subscription of 39,999 new ordinary shares of $1.00 each.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

17. Investments in joint venture (cont'd)

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.

	Group	
	2019 $'000	2018 $'000
Aggregate for all non-material joint ventures:		
Assets	1,005	347
Liabilities	690	133
Revenue	1,510	759
Profit for the year	44	116

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

17A. Disposal of joint ventures

The joint ventures, S-Two (Asia) Pte. Ltd. ("S2"), Franklin Hodge Pte. Ltd. ("FH") and Franklin Hodge Sdn. Bhd. ("FHM") was deconsolidated on 1 January 2018.

A net gain on disposal of $69,000 was recognised in the profit or loss under other gains (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 joint ventures. No tax charge or credit arose from the transaction. The joint venture's unaudited financial statements as at 30 November 2018 were used to determine the above gain/loss on disposal of the joint ventures.

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

	S2 $'000	FH $'000	FHM $'000	Total $'000
Cost of investments	100	–	–	100
Trade and other receivables	–	130	–	130
Trade and other payables	(102)	(197)	–	(299)
Net carrying amount of assets disposed	(2)	(67)	–	(69)
Gains on disposal (Note 6)	2	67	–	69
Total consideration	–	–	–	–

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

	S2 $'000	FH $'000	FHM $'000	Total $'000
Cash consideration	–	–	–	–
Cash and cash equivalents disposed of	–	–	–	–
Net cash outflow	–	–	–	–

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18. Land use rights

	Group	
	2019	2018
	$'000	$'000
Cost:		
At beginning of the year	2,755	2,839
Foreign exchange adjustments	(77)	(84)
Reclassified to asset held for sale under SFRS(I) 5	(2,678)	–
At end of the year	–	2,755
Accumulated amortisation:		
At beginning of the year	1,571	1,559
Amortisation for the year included in other losses (Note 6)	57	59
Foreign exchange adjustments	(45)	(47)
Reclassified to asset held for sale under SFRS(I) 5	(1,583)	–
At end of the year	–	1,571
Balance at beginning of the year	1,184	1,280
Balance at end of the year	–	1,184

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. Certain commitments in relation to the land use rights are disclosed under Note 30.

In the reporting year ended 31 December 2015, the land use right was written down to its net realisable value based on management's estimate then.

As disclosed in Note 15(9), 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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current:				
Club memberships at cost	45	45	45	45
Prepayments	8	–	–	–
Less allowance for impairment	(27)	(27)	(27)	(27)
	26	18	18	18
Current:				
Contract assets (Note 19A)	933	–	–	–
Prepayments	832	988	354	44
Deposits to secure services	67	118	11	40
	1,832	1,106	365	84
Movements in above allowance:				
Balance at beginning and end of the year	27	27	27	27

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19. Other assets (cont'd)

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
The amount is made up of:				
Consideration for work completed but not billed at the reporting date	802	–	–	–
Others	131	–	–	–
	933	–	–	–
The movements in contract assets are as follows:				
At beginning of the year	–	–	–	–
Cost incurred during the year on uncompleted contracts	802	–	–	–
Others	131	–	–	–
	933	–	–	–
Transaction price allocated to the remaining performance obligations (over time method):				
Expected to be recognised as revenue within 1 year	131	–	–	–
Expected to be recognised as revenue after 1 year but before 2 years	–	–	–	–
Balance at end of the year	131	–	–	–

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.

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20. Inventories

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Finished goods and goods for resale	1,791	2,532	92	110
Inventories are stated after allowance.				
Movements in allowance:				
Balance at beginning of the year	248	246	93	142
Reversal to profit or loss included in other gains (Note 6)	(39)	(6)	(31)	(49)
Charge to profit or loss included in cost of sales	–	8	–	–
Balance at end of the year	209	248	62	93

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.

21. Trade and other receivables

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade receivables:				
Outside parties	4,517	9,469	53	449
Less allowance for impairment	(62)	(403)	(44)	(381)
Subsidiaries	–	–	512	761
Less allowance for impairment	–	–	(244)	(242)
Related parties	298	226	120	120
Trade receivables – subtotal	4,753	9,292	397	707
Other receivables:				
Related parties (Note 3D)	1,326	611	25	–
Subsidiaries (Note 3D)	–	–	8,774	9,038
Less allowance for impairment	–	–	(2,583)	(2,372)
Tax recoverable	–	–	–	–
Outside parties	608	70	–	–
Less allowance for impairment	(5)	–	–	–
Other receivables – subtotal	1,929	681	6,216	6,666
Total trade and other receivables	6,682	9,973	6,613	7,373

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21. Trade and other receivables (cont'd)

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Movements in above allowance:				
Balance at beginning of the year	403	1,582	2,995	3,433
Allowance for impairment on trade receivables to profit or loss included in other losses (Note 6)	5	99	5	97
Allowance for impairment on subsidiaries' receivables to profit or loss included in other losses	–	–	219	579
Disposal of subsidiaries	(4)	–	–	(80)
Disposal of joint venture	–	(238)	–	(250)
Written off	(337)	(1,033)	(337)	(775)
Foreign exchange adjustments	–	(7)	(11)	(9)
Balance at end of the year	67	403	2,871	2,995

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:
- 30% (2018: 21%) of the Group's trade receivables were due from two major customers.
- 80% (2018: 58%) of the Company's trade receivables were due from two major customers.

The Group has only few receivables as at reporting year end and which can be graded as low risk individually. These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The trade receivables are considered to have low credit risk individually. 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. A loss allowance balance of $67,000 (2018: $403,000) is recognised. There are no collateral held as security and other credit enhancements for the trade receivables.

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 (2018: 60 to 90 days), but some customers take a longer period to settle the amounts.

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21. Trade and other receivables (cont'd)

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables:				
31 to 60 days	382	1,913	–	5
61 to 90 days	360	418	–	–
91 to 120 days	378	452	–	100
Over 120 days	961	913	676	591
Total	2,081	3,696	676	696

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables:				
Over 120 days	62	403	288	623

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 $5,000 (2018: Nil) 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.

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22. Cash and cash equivalents

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Not restricted in use	5,563	2,837	1,412	562

The interest earning balances are not significant.

22A. Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment of $122,000 (2018: $90,000) acquired by means of finance leases and $1,120,000 (2018: $Nil) acquired by means of bank loans.

22B. Reconciliation of liabilities arising from financing activities:

	2018 $'000	Cash flows $'000	Non-cash changes $'000	2019 $'000
At 31 December 2019:				
Other financial liabilities	3,787	(689)	1,242	4,340

	2017 $'000	Cash flows $'000	Non-cash changes $'000	2018 $'000
At 31 December 2018:				
Other financial liabilities	2,394	1,303	90	3,787

23. Share capital

	Group and Company Number of shares issued $'000	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	214,202	15,300

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).

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23. Share capital (cont'd)

Capital management: (cont'd)

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. 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.

	Group	
	2019	2018
	$'000	$'000
Net debt:		
All current and non-current borrowings including finance leases	4,340	3,787
Less: cash and cash equivalents	(5,563)	(2,837)
Net debt	(1,123)	950
Adjusted capital:		
Total equity	15,830	15,581
Adjusted capital	15,830	15,581
Debt-to-adjusted capital ratio	N.M.	6.1%

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

23A. Dividends on equity shares

The directors have proposed that a final dividend of 0.18 cents per share with a total of $386,000 be paid to shareholders after the annual general meeting. There are no income tax consequences on the reporting entity. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

24. Other reserves

	Group	
	2019	2018
	$'000	$'000
Foreign currency translation reserve (Note 24A)	(405)	(207)
Statutory reserves (Note 24B)	172	128
Total at the end of the year	(233)	(79)

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.

24. Other reserves (cont'd)

24A. Foreign currency translation reserve

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of the year	(207)	(262)
Exchange differences on translating foreign operations	(198)	55
Balance at end of the year	(405)	(207)

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

24B. Statutory reserves

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of the year	128	128
Transfer from retained earnings	44	–
Balance at end of the year	172	128

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.

25. Other financial liabilities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current:				
Financial instruments with floating interest rates:				
Bank loans (Note 25B)	3,675	2,685	–	–
Financial instruments with fixed interest rates:				
Finance leases (Note 25C)	100	76	–	–
Total non-current portion	3,775	2,761	–	–

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25. Other financial liabilities (cont'd)

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current:				
Financial instruments with floating interest rates:				
Bank loans (Note 25B)	450	–	–	–
Short term borrowings (Note 25B)	–	110	–	–
Trust receipts for purchase of inventories (Note 25A)	91	795	–	–
Financial instruments with fixed interest rates:				
Bank overdraft	–	21	–	–
Finance leases (Note 25C)	24	100	–	33
Total current portion	565	1,026	–	33
Total non-current and current	4,340	3,787	–	33
The non-current portion is repayable as follows:				
Due within two to five years	100	76	–	–
After five years	3,675	2,685	–	–
Total non-current portion	3,775	2,761	–	–

All the amounts are at floating interest rates except for finance leases that are on fixed interest rates (see Note 25C). The range of floating interest rates paid were as follows:

	Group 2019 %	Group 2018 %	Company 2019 %	Company 2018 %
Bank loans and short term borrowings	3.38 to 4.01	5.25	–	–
Trust receipts for purchase of inventories	3.52	1.75 to 5.25	–	–

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 (2018: three months).

The range of fixed interest rates per annum paid for finance lease liabilities and their average lease terms were as follows:

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Rates per annum	2.3% to 5.3%	2.3% to 5.3%	–	4.5%
Average lease term in years	3 to 5	3 to 5	–	5

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is three to five years. For the reporting year ended 31 December 2019, the rate of interest for finance leases ranges from 2.3% to 5.3% (2018: 2.3% to 5.3%) per annum.

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25 Other financial liabilities (cont'd)

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

The 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.

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.

25C. Finance leases

Group

	Minimum payments	Finance charges	Present value
31 December 2019	$'000	$'000	$'000
Minimum lease payments payable:			
Due within one year	29	(5)	24
Due within two to five years	109	(9)	100
Total	138	(14)	124
Net book value of motor vehicle under finance lease			213
31 December 2018			
Minimum lease payments payable:			
Due within one year	105	(5)	100
Due within two to five years	81	(5)	76
Total	186	(10)	176
Net book value of motor vehicle under finance lease			330

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25 Other financial liabilities (cont'd)

25C. Finance leases (cont'd)

Company

	Minimum payments $'000	Finance charges $'000	Present value $'000
31 December 2019			
Minimum lease payments payable:			
Due within one year	–	–	–
Due within two to five years	–	–	–
Total	–	–	–
Net book value of motor vehicle under finance lease			–
31 December 2018			
Minimum lease payments payable:			
Due within one year	34	(1)	33
Due within two to five years	–	–	–
Total	34	(1)	33
Net book value of motor vehicle under finance lease			61

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee from a director of the Group. The carrying amount of the lease liabilities is not significantly different from the fair value (Level 2).

26. Contract liability

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current:				
Contract liabilities (Note 26A)	362	–	–	–
	362	–	–	–

26A. Contract liability

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
The amount is made up of:				
Others	362	–	–	–
	362	–	–	–
The movements in contract liabilities are as follows:				
At beginning of the year	–	–	–	–
Others	362	–	–	–
At end of the year	362	–	–	–

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26. Contract liability (cont'd)

26A. Contract liability (cont'd)

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Transaction price allocated to the remaining performance obligations (over time method):				
Expected to be recognised within 1 year	362	–	–	–
Balance at end of the year	362	–	–	–

27. Lease liabilities

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

Group

	2019 $'000	2018 $'000
Lease liabilities, current	96	–
	96	–
Movement of lease liabilities for the reporting year are as follows:		
Total lease liabilities recognised at 1 January 2019	178	–
Interest on lease liabilities (Note 9)	5	–
Lease payments – principal portion paid	(87)	–
Total lease liabilities at end of reporting year	96	–

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

The lease liability 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.

On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was 5.25% per annum.

Reconciliation of lease commitments and lease liability at the date of initial application:

	2019 $'000
Operating lease commitments as at 31 December 2018	75
Discounted using incremental borrowing rate	(5)
Operating lease liabilities, net	70
Finance lease obligations recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	70

27. Lease liabilities (cont'd)

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

2019	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Not later than one year	99	(3)	96
Total	99	(3)	96

28. Trade and other payables

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables:				
Outside parties and accrued liabilities	1,446	2,711	–	606
Related parties	1,119	776	–	–
Trade payables – subtotal	2,565	3,487	–	606
Other payables:				
Outside parties	1,001	2,604	350	132
Ultimate parent company (Note 3D)	1,591	1,657	1,591	1,657
Related parties (Note 3D)	473	396	–	–
Subsidiaries (Note 3D)	–	–	901	7
Advances received from customers [(a)]	761	1,138	–	–
Other – deposit received [(b)]	576	–	576	–
Other payables – subtotal	4,402	5,795	3,418	1,796
Total trade and other payables	6,967	9,282	3,418	2,402

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At beginning of the year	1,138	143	–	–
Consideration received or receivable	757	995	–	–
Performance obligation satisfied – revenue recognised	(1,134)	–	–	–
At end of the year	761	1,138	–	–

(b) As disclosed in Note 15[(9)], deposit of $576,000 (equivalent to RMB 3million) in relation to the proposed disposal of PAM was received from the third party buyer.

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29. Contingent liabilities

	Company	
	2019	2018
	$'000	$'000
Undertaking to support subsidiaries with deficits [(a)]	3,900	3,237

(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. Commitments and related matters

Arising from the land use rights acquired (Note 18), the Group was originally scheduled to commence development on the land before 1 November 2011 and complete development on the land by 31 December 2012. The original terms of the agreement stipulated that, in the event if there is any delay in the commencement of the development, approval for extension must be sought from the authorities 30 days in advance. Failure to do so would result in a penalty of 0.015% on the total purchase consideration per day.

Prior to 30 June 2015, the Group obtained a series of extensions from local authorities for the development on the land to be completed by 30 June 2015. In the event that the Group is not able to complete development within the stipulated period, by 30 June 2015, approval for extension must be sought from the authorities six months in advance.

As at the date of these financial statements, the Group has yet to commence development on the land and management have not applied for a further extension for development since 30 June 2015. The potential penalty of 0.015% on the total purchase consideration per day imposed per the terms of the original agreement. In addition, as the land has been left idle for more than 2 years, the potential amount at risk to the Group arising from the confiscation of the land would be the remaining carrying amount of the land amounting to $1,095,000 as at 31 December 2019 (2018: $1,184,000) (see Notes 13 and 18).

As disclosed in Note 15[(9)], the Group entered into a Sales and Purchase agreement to dispose its entire shareholding in its wholly owned subsidiary, PAM which owns the land use rights. The completion of the disposal of PAM is subject to the Group obtaining the requisite approvals for the disposal and transfer of the shares of PAM from the relevant authorities. The disposal is expected to be completed during the reporting year ending 31 December 2020. On completion, these commitments shall follow the disposal of subsidiary.

31. 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:

	Group	
	2019	2018
	$'000	$'000
Commitments to purchase of plant and equipment	376	–
Contractual obligations to construct property	–	953

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32. Financial instruments: information on financial risks

32A. 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:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets:				
Financial assets at amortised cost	12,245	12,810	8,025	7,935
Financial liabilities:				
Financial liabilities at amortised cost	10,066	11,931	2,842	2,435

Further quantitative disclosures are included throughout these financial statements.

32B. 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.

32C. 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.

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

32D. 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.

32E. Liquidity risk – financial liabilities maturity analysis

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

Group	Less than one year $'000	Two to five years $'000	More than five years $'000	Total $'000
31 December 2019:				
Other financial liabilities	588	109	3,799	4,496
Gross lease liabilities	84	17	–	101
Trade and other payables	5,630	–	–	5,630
At end of the year	6,302	126	3,799	10,227
31 December 2018:				
Other financial liabilities	1,036	81	2,826	3,943
Trade and other payables	8,144	–	–	8,144
At end of the year	9,180	81	2,826	12,087

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

32E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Company	Less than one year $'000	Two to five years $'000	More than five years $'000	Total $'000
31 December 2019:				
Other financial liabilities	–	–	–	–
Trade and other payables	2,842	–	–	2,842
At end of the year	2,842	–	–	2,842
31 December 2018:				
Other financial liabilities	34	–	–	34
Trade and other payables	2,402	–	–	2,402
At end of the year	2,436	–	–	2,436

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 (2018: 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.

32F. 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:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial liabilities with interest:				
Fixed rate	124	197	–	33
Floating rate	4,216	3,590	–	–
Total at end of the year	4,340	3,787	–	33

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.

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31 DECEMBER 2019

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

32G. 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:

Group	US Dollars $'000	Sterling Pound $'000	Euro $'000	Australian Dollars $'000	Japanese Yen $'000	Total $'000
As at 31 December 2019:						
Financial assets:						
Cash	1,510	616	154	–	31	2,311
Receivables	201	29	892	–	–	1,122
Total financial assets	1,711	645	1,046	–	31	3,433
Financial liabilities:						
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

Group	US Dollars $'000	Sterling Pound $'000	Euro $'000	Australian Dollars $'000	Japanese Yen $'000	Total $'000
As at 31 December 2018:						
Financial assets:						
Cash	721	483	58	31	–	1,293
Receivables	438	–	369	160	–	967
Total financial assets	1,159	483	427	191	–	2,260
Financial liabilities:						
Borrowing	–	–	128	–	–	128
Payables	624	63	456	350	–	1,493
Total financial liabilities	624	63	584	350	–	1,621
Net financial assets (liabilities) at end of the year	535	420	(157)	(159)	–	639

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

32G. Foreign currency risks (cont'd)

Company	US Dollars $'000	Sterling Pound $'000	Euro $'000	Japanese Yen $'000	Total $'000
As at 31 December 2019:					
Financial assets:					
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

Company	US Dollars $'000	Sterling Pound $'000	Euro $'000	Japanese Yen $'000	Total $'000
As at 31 December 2018:					
Financial assets:					
Cash	397	91	8	31	527
Receivables	9	–	–	–	9
Total financial assets	406	91	8	31	536
Financial liabilities:					
Payables	209	2	19	–	230
Total financial liabilities	209	2	19	–	230
Net financial assets (liabilities) at end of the year	197	89	(11)	31	306

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

Sensitivity analysis:

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'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:				
- US Dollars	(155)	(53)	(122)	(20)
- Sterling Pound	(27)	(42)	(2)	(9)
- Euro	(88)	16	(3)	1
- Japanese Yen	5	16	(3)	(3)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

32G. Foreign currency risks (cont'd)

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.

33. Events after the end of the reporting year

There are current uncertainties in the world and Singapore's economy related to the COVID-19 outbreak that emerged since early 2020. These uncertainties have impacted the Group's operations and it will have an impact on the Group's productivity and financial performance for the current financial year ending 31 December 2020. As COVID-19 situation continues to evolve, the full effect of the outbreak is still uncertain. The Group is closely monitoring the impact of the outbreak of the COVID-19 and will align its business activities and adapt its operations accordingly.

34. 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. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in Notes 14 and 27.

SFRS (I) No.	Title
SFRS (I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS (I) 1-28	Amendments to Long-term Interests in Associates and Joint Ventures
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations
SFRS (I) 11	Improvements (2017) – Amendments: Joint Arrangements

NOTES TO THE FINANCIAL STATEMENTS

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35 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.

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Amendments	1 Jan 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to	1 Jan 2020
	The Conceptual Framework for Financial Reporting	1 Jan 2020
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

STATISTIC OF SHAREHOLDINGS

AS AT 13 MARCH 2020

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	1.05	116	0.00
100 - 1,000	355	33.94	352,264	0.16
1,001 - 10,000	395	37.76	1,962,332	0.92
10,001 - 1,000,000	276	26.39	26,655,486	12.44
1,000,001 & ABOVE	9	0.86	185,231,838	86.48
TOTAL	1,046	100.00	214,202,036	100.00

TOP TWENTY SHAREHOLDERS AS AT 13 MARCH 2020	NO. OF SHARES	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
KOH CHIN HWA	8,030,000	3.75
TAN KIM TEE	3,001,000	1.40
DBS NOMINEES PTE LTD	2,189,238	1.02
GOH BOON KOK	2,150,000	1.00
GOH GUAN SIONG (WU YUANXIANG)	1,380,100	0.64
TAN KIAN CHUAN (CHEN JIANZHUAN)	1,300,000	0.61
KOH CHIN SAN JEREMY	1,038,000	0.48
KOH HOO KWEE	1,006,000	0.47
LIM HOCK CHAU	979,000	0.46
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	948,000	0.44
ONG HOCK HAI	903,000	0.42
TAN THIAN TIN	781,000	0.37
HSBC (SINGAPORE) NOMINEES PTE LTD	670,000	0.31
YAP CHING SEOW	615,000	0.29
RAFFLES NOMINEES (PTE) LIMITED	603,200	0.28
LAU CHAN @LUA CHAN	600,000	0.28
PHILLIP SECURITIES PTE LTD	568,900	0.27
HENG THENG LIAN (WANG CHENGLIANG)	515,338	0.24
LEE CHEE KWAN	513,000	0.24
	192,928,276	90.06

STATISTIC OF SHAREHOLDINGS

AS AT 13 MARCH 2020

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2020
as recorded in the Register of Substantial Shareholders

	NO. OF SHARES			
NAME OF SHAREHOLDINGS	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
INDRIATI KHOE [3]	–	–	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.

(3) Ms Indriati Khoe is deemed to have an interest in the shares held by her spouse, Mr Koh Eddie, in Xu Jia Zu Holdings Pte Ltd.

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

As at 13 March 2020, 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.

PAN ASIAN HOLDINGS LIMITED

2 KALLANG AVENUE, CT HUB #05-18, SINGAPORE 339407

Tel : +65 6268 7227
Fax : +65 6268 9679

Email: enquiry@panasian.com.sg
Website : www.panasian.com.sg
Investor Relations : IR@panasian.com.sg