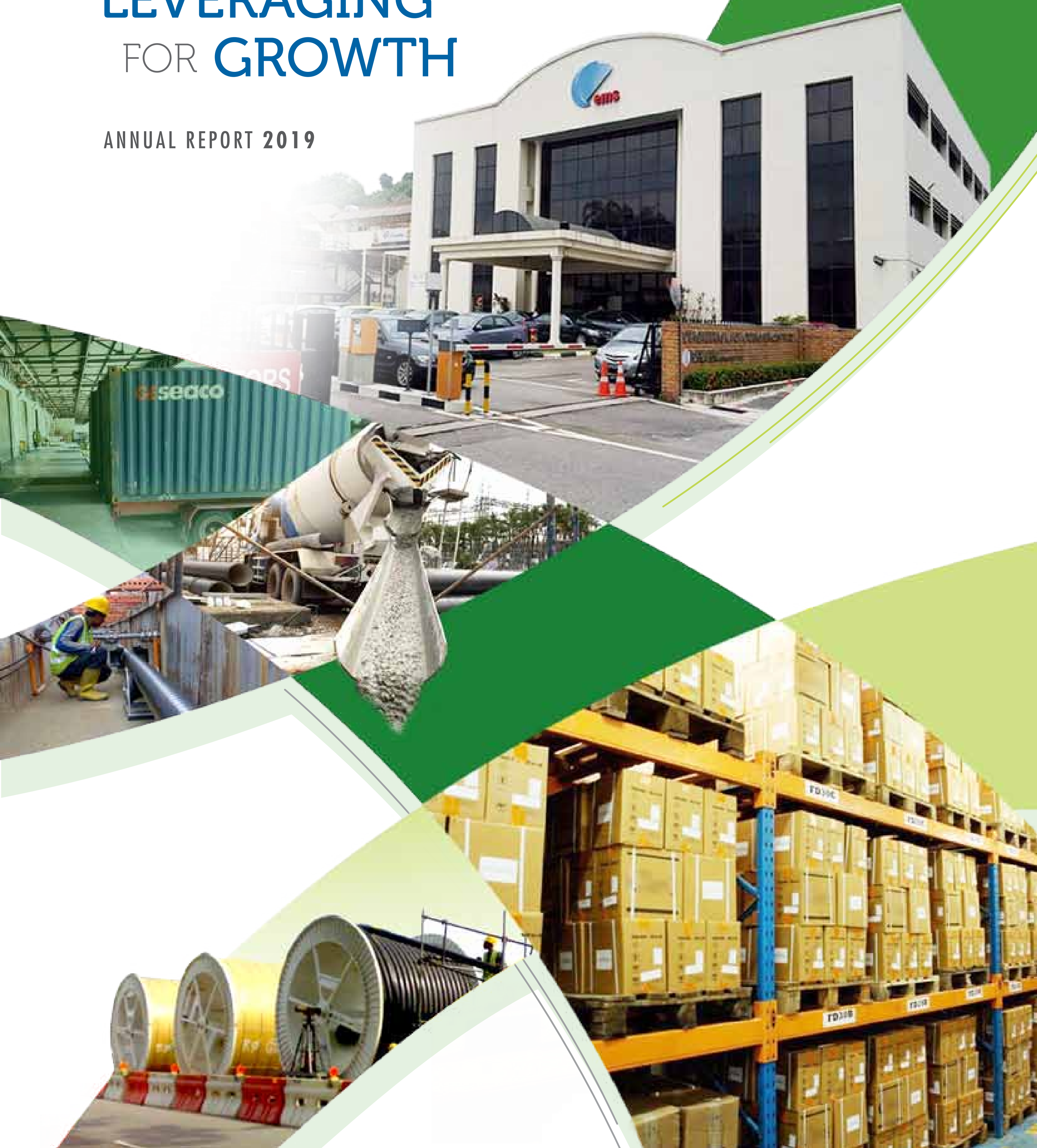
AA GROUP HOLDINGS LTD.

LEVERAGING FOR GROWTH

ANNUAL REPORT **2019**



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This Annual Report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor").

This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr David Yeong.
Telephone: +65 6232 3210
Address: 1 Robinson Road, #21-00 AIA Tower, Singapore 048542

CORPORATE PROFILE

AA Group Holdings Ltd. was listed on the Catalist Board of Singapore Exchange Limited in 2005 with its primary business in the manufacturing and supply of high-precision cold forged loudspeaker parts. In 2017, the Group underwent a transformation as it ventured into new business segments and subsequently divested its initial business. The divestment was completed in January 2018 and the Group now focuses on the four core businesses below:

LEASING AND SERVICE INCOME

Through our purpose-built industrial complex spanning over a land size of 75,000 square metres and a gross floor area of over 53,000 square metres, we provide a one-stop high value-added general warehousing and logistics services, industrial and office space for engineering, manufacturing, industrial training and workers' dormitory facilities. Some of our major clients include NTUC Learning Hub, Space Furniture, UMW Equipment & Engineering, Sunningdale Tech, Germaxco Shipping Agencies and Torishima Service Solutions Asia.

SUPPLY AND MANUFACTURING OF READY-MIX CONCRETE

We supply ready-mix concrete in Singapore to various customers in the construction and civil engineering sector and the ready-mix concrete is a specialised business whereby very stringent criterion are set. Ready-mix concrete refers to concrete that have been weigh-batched at the batching plant, mixed inside a mixer in the plant itself or in a mechanical concrete mixer mounted on a truck chassis while in transit from the plant. The ready-mix is thus delivered in a "ready-to-use" state to its intended destination and ultimate location at the construction site. The ready-mix concrete industry is a support industry to the construction industry, where the construction industry constitutes one of the main sectors of Singapore's economy.

MANUFACTURING PRECAST CONCRETE PRODUCTS

We provide value-added and cost competitive manufacturing solutions to the construction sector with various product mix of structural and non-structural precast concrete products, that are suitable for all types of civil and construction works. The concrete products are sold mainly to civil engineering contractors undertaking projects from government ministries and statutory boards for infrastructure works and public housing.

UNDERGROUND CABLE INSTALLATION AND ROAD REINSTATEMENT SERVICES

We carry out civil and associated works, such as underground cable installation and road reinstatement works for various customers in the construction and civil engineering sector. Underground cable installation refers to the installation of power cables, auxiliary cables and other accessories under the ground. We are also responsible for ensuring the proper laying of cables and quality of cable joints and branch connections. Road reinstatement refers to the backfilling and reinstatement of road surfaces after any trenching or excavation works. We are also responsible for ensuring that there is sufficient depth of refilling and proper compaction and settlement. We started out by undertak ing various jobs obtained through public tenders, and we are curre rade L5 registered contractor with the Building and Construction Authority (BCA).

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS

It is my pleasure to present the overview of the financial performance of AA Group Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2019 ("FY2019").

DEVELOPMENTS OVER THE YEAR

The Group's diversification plans over the past two years have settled in and stablised for the most part, with the synergistic effects showing through in its financial performance for the year under review. With the latest addition of our underground cable installation and road reinstatement services business segment in the financial year ended 31 December 2018 ("FY2018"), we continue to stand in good stead in the construction industry and leasing markets with our four core businesses:

Both organic and inorganic growth are part of the Group's corporate strategy to provide shareholders of the Company (the "Shareholders") with diversified returns and long-term growth. To this end, we shall remain focused on enhancing operational efficiencies within our core businesses, thereby improving the Group's overall profitability. We will also tap on any new potential business opportunities to expand our future prospects.

On a separate note, the Company had announced on 23 July 2019 that it has received two statutory demands and one letter of demand, from Essex Court Chambers Duxton on behalf of an alleged creditor. The statutory demands and letter of demand are in relation to financing agreements (the "Agreements") that were allegedly signed by Mr. Kenneth Lim Tiong Hian, who is not and has never been a director, officer, employee or representative of the Company or any of its subsidiaries, on behalf of the Company. Initial investigations have indicated that the Company's stamp, Company's seal and Company's address are not those used by the Company. We have since made a police report regarding the allegations and will update Shareholders as and when there are any material findings.

BUSINESS DIVERSIFICATION AND OUTLOOK

In FY2019, all acquisitions and divestments have been largely in place, leaving us with a current portfolio of our four core businesses:

1. Leasing and service income;
2. Manufacturing of precast concrete products;
3. Supply and manufacturing of ready-mix concrete products; and
4. Provision of underground cable installation and road reinstatement services.

Our revenue streams have been reinforced and our business portfolio spread out with the diversification of our business activities in the recent two years. This arms us with more resilience against the ongoing headwinds in the global macroeconomic environment, considering that the business environment looks set to remain challenging in the near future. The current novel coronavirus ("COVID-19") outbreak has added more uncertainties and setbacks to major and developing economies around the world, weakening businesses overall. With that, we expect to see a slowdown in our business. Nonetheless, the Group expects a relatively consistent flow of revenue contribution from the leasing and service income business segment.

On the leasing and services business front, we have been actively looking for opportunities to develop our plot of land at 60 Benoi Road, Singapore 629906 ("60 Benoi Road") to generate long-term value and growth. The Group had entered into a Memorandum of Understanding ("MOU") with OneAsia Network (Pte.) Ltd. ("OneAsia") on 14 January 2019 to negotiate exclusively for twelve months with regard to any potential joint venture, investment and/or collaboration for the development of the plot of land at 60 Benoi Road as a data centre and/or other purposes. However, despite negotiations between the Company and OneAsia in good faith, both parties have not been able to agree on mutually acceptable terms in relation to the potential development of the plot of land at 60 Benoi Road, and has since announced (on 27 May 2019) the termination of the MOU between the Company and OneAsia. Nevertheless, we will continue to explore other opportunities with regard to any potential development of said plot of land and will update Shareholders accordingly.

Obstacles and challenges are part and parcel of business, however, we are confident, with our well-placed strategies, the Group will look to overcome the aforementioned challenges in the long term.

FINANCIAL REVIEW

Year-on-year, the Group obtained total revenue of approximately S$23.90 million from its continuing operations in FY2019, an increase of 22.00% from S$19.59 million in FY2018. The growth was mainly due to the S$4.06 million revenue contribution from Poh Huat Heng Corporation Pte. Ltd. ("PHH"), which the Group had acquired in December 2018.

Please refer to the Operations Review and Financial Highlights on pages 4 to 7 of this Annual Report for further information and detail on the Group's financial performance and position in FY2019.

CORPORATE GOVERNANCE

As part of the Group's culture and business practices, we are committed to maintaining high standards of corporate governance. For the Group's key corporate governance policies, please refer to the Corporate Governance Report on pages 12 to 39 of this Annual Report.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors for their invaluable advice and stewardship of the Group in its course of its developments throughout FY2019. I also wish to express my gratitude to Mr Lee Chong Yang for his services to the Group during his tenure as Independent Director and welcomes Mr Andrew Bek as an Independent Director of the Group.

To all key management personnel and staff members of the Group, I deeply appreciate your tireless commitment and dedication to your work. Your support is what will drive the Group's business further in creating sustainable value.

Finally, on behalf of the Board, I sincerely thank all of our shareholders, customers, vendors, business partners and all stakeholders for your continued support and trust. We look forward to your unwavering confidence in the years to come.

NG CHUAN HENG
Non-Executive Chairman

OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

GROUP FINANCIAL PERFORMANCE

	FY2019 S$'000	FY2018 S$'000	Change %
Continued operations			
Revenue			
Leasing and service income	8,003	8,991	-11%
Manufacturing of precast concrete products	3,066	2,944	4%
Supply and manufacturing of ready-mix concrete products	8,772	7,659	15%
Provision of underground cable installation and road reinstatements	4,059	-	n.m.
Total Revenue	23,900	19,594	22%
Cost of sales	(14,891)	(14,081)	6%
Gross profit	9,009	5,512	63%
Other income	407	160	154%
Distribution costs	(1,071)	(1,120)	-4%
Administrative costs	(7,460)	(4,967)	50%
Amortisation of intangible assets (1)	(918)	(495)	85%
Others (2)	(1,719)	(1,119)	54%
Other expenses (1) + (2)	(2,637)	(1,613)	63%
Finance income	176	542	-68%
(Provision) / Write-back of impairment loss on financial assets, net	(3,976)	96	n.m.
Finance costs	(336)	(342)	-2%
Loss before tax	(5,888)	(1,732)	n.m.
Income tax (expense)/credit	(41)	40	n.m.
Loss for the year	(5,929)	(1,692)	n.m.
Discontinued operations			
Loss from discontinued operations	-	(4,012)	n.m.
Total loss	(5,929)	(5,704)	4%
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
- Currency translation differences arising from consolidation	1	286	100%
- Currency translation differences arising from disposal of a subsidiary	-	4,195	n.m.
Item that will not be reclassified subsequently to profit or loss			
- Equity investment at FVOCI – net change in fair value	(115)	-	n.m.
Total comprehensive loss for the year	(6,043)	(1,223)	n.m.

OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

CONTINUING OPERATIONS

1. The Group derived its revenue from its continuing operations of leasing and services income, the supply and manufacturing of precast concrete products, and the manufacturing of precast concrete products; as well as the latest business segment of the provision of underground cable installation and road reinstatement services. Total revenue in FY2019 amounted to approximately S$23.90 million, with the increase driven mainly by the revenue contribution from PHH that the Group acquired in December 2018 .

2. The Group's cost of sales was brought about largely by the cost of inventories arising from the supply and manufacturing activities, the depreciation of property, plant and equipment.

3. The substantial increase in the Group's other operating income mainly related to the contribution by PHH from other income and supply of labour amounting to S$0.96 million and S$0.63 million respectively.

4. Administrative costs increased in FY2019 for the Group, mainly due to the full year consolidation of PHH acquired in FY2018.

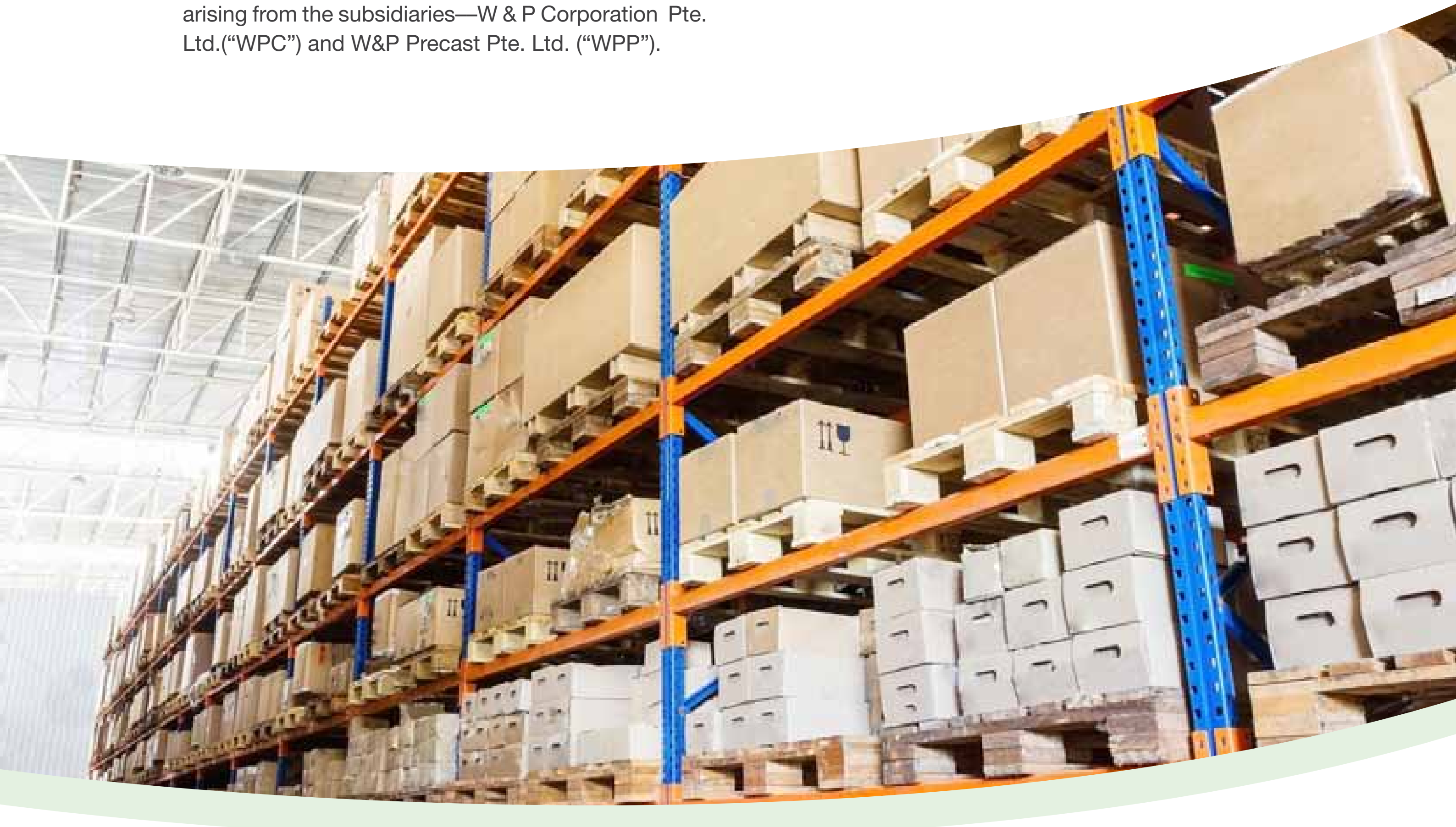
5. The Group's distribution costs were in relation to costs arising from the subsidiaries—W & P Corporation Pte. Ltd.("WPC") and W&P Precast Pte. Ltd. ("WPP").

6. Other expenses of the Group increased in FY2019, mainly due to an increase in amortisation of intangible assets arising from PHH acquisition amounting to S$0.42 million and an impairment of goodwill for WPC amounting to S$1.13 million impairment loss on right-of-use assets amounting to S$0.52 million and partially offset by the absence of impairment of goodwill from WPP of S$1.11 million which has been fully impaired.

7. The Group's net impairment loss on financial assets jumped significantly as a result of the impairment loss on the loans provided to Epicentre Pte Ltd and Broadwell Ltd amounting to S$1.82 million and S$2.40 million respectively.

DISCONTINUED OPERATIONS

The Group's discontinued operations pertain to the results of Allied Advantage Sdn. Bhd. and its subsidiaries, their respective date of disposals in FY2018. As the disposal was fully completed on 31 January 2018 and 21 February 2018 respectively, there were no gain/losses recognised for FY2019.



OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

GROUP FINANCIAL POSITION

	FY2019 S$'000	FY2018 S$'000	Change %
ASSETS			
Non-current assets			
Property, plant and equipment	55,992	59,527	-6%
Right-of-use assets	5,982	-	n.m.
Intangible assets	2,764	3,682	-25%
Goodwill	2,506	3,631	-31%
Financial assets, at FVOCI	35	150	-77%
	67,279	66,990	1%
Current assets			
Inventories	123	100	23%
Trade and other receivables	4,259	16,446	-74%
Other current assets	351	494	-29%
Cash and bank balances	6,644	3,116	113%
	11,377	20,156	-44%
TOTAL ASSETS	78,656	87,146	-10%
LIABILITIES			
Non-current liabilities			
Bank borrowings	-	820	n.m.
Lease liabilities from financial institutions	27	52	-48%
Lease liabilities	6,098	-	n.m.
Deferred tax liabilities	9,383	9,909	-5%
Other liabilities	471	648	-27%
	15,979	11,429	40%
Current liabilities			
Trade and other payables	6,065	9,613	-37%
Bank borrowings	-	3,789	n.m.
Lease liabilities from financial institutions	27	51	-47%
Lease liabilities	491	-	n.m.
Provision for income tax	1,572	1,698	-7%
	8,155	15,151	-46%
TOTAL LIABILITIES	24,134	26,580	-9%
TOTAL EQUITY	54,522	60,565	-10%

OPERATIONS REVIEW AND FINANCIAL HIGHLIGHTS

1. As at 31 December 2019, the Group's property, plant and equipment constituted 83.22% of the Group's non-current assets, with the decrease mainly attributable to the depreciation charged during the year.

2. The Group adopted the new and revised SFRS(I) 16 *Leases*, and recognised the right-of-use assets amounting to S$5.98 million as at 31 December 2019.

3. The Group's intangible assets are in relation to the fair value of the contractual rental agreements entered into with Engineering Manufacturing Services (S) Pte. Ltd. ("EMS") and non-contractual customer relationships with PHH. The increase was mainly due to the purchase price allocation ("PPA") performed in relation to the acquisition of PPH amounting to S$2.12 million.

4. The decrease in the carrying amount of the Group's goodwill resulted mainly from an impairment of goodwill of WPC amounting to S$1.12 million.

5. The Group's marked improvement in its trade and other receivables was from the recovery of the trade balances and impairment loss on financial assets amounting to S$8.21 million and S$3.98 million respectively.

6. The increase in the Group's cash and bank balances was mainly due to the cash inflow arising from the recovery of the receivables.

7. Trade and other payables constituted 74.37% of the Group's current liabilities, with the fall arising mainly due to the repayments during the financial year ended 31 December 2019.

8. The lease liabilities recognised by the Group in FY2019 was a result of the adoption of SFRS(I) 16.

9. The Group has repaid all of its bank borrowings during the financial year.

10. As at 31 December 2019, the current tax liabilities mainly arose from the net chargeable income generated by EMS for the financial year ended 31 December 2019.

BOARD OF DIRECTORS

NG CHUAN HENG

Chairman and Non-Executive Director

Mr Ng Chuan Heng ("Mr Ng") came on board as Non-Executive Non-Independent Chairman on 17 December 2018. He is responsible for leading and ensuring the effectiveness of the Board, including promoting a culture of openness and debate at the Board and facilitating the effective contribution of all Directors. Mr Ng has over four decades of experience in the construction industry, having started off as an apprentice construction worker in the 1970s. Mr Ng's expertise lies in handling the operational aspects of the construction business, having been closely involved (at both his past and present companies) in all the day-to-day activities such as logistics, managing of workers and supervising at the construction sites.

Mr Ng is due for re-appointment as Director at the forthcoming AGM.

TAN POH GUAN

Executive Director

Mr Tan Poh Guan ("Mr Tan") came on board as Executive Director on 17 December 2018 and is responsible for the overall business development and general management of the Group. Mr Tan has extensive experience in the construction business, having handled various aspects such as planning, operations, overseeing the finances and tendering for projects. He graduated from Ngee Ann Polytechnic with a Diploma in Electrical Engineering and has completed a course on Basic Concept in Construction Productivity Enhancement offered by the Building and Construction Authority (BCA) Academy. In addition to attending the BizSAFE Workshop for CEO/Top Management, he has obtained various certifications relevant to his directorship roles (e.g. on directors' duties and finance for directors).

Mr Tan is due for re-appointment as Director at the forthcoming AGM.

LAI CHOONG HON

Executive Director

Mr Lai Choong Hon ("Mr Lai") came on board as Executive Director on 18 January 2018, and he is also the Financial Controller of the Group. He joined Engineering Manufacturing Services (S) Pte. Ltd. ("EMS") in 2004 as the Director of Finance, and was responsible for all finance, treasury, reporting and accounting activities in the company. He also took on various responsibilities, which includes tax and HR matters of the company. Prior to joining EMS, he was the Group Financial Controller of Hong Guan Technologies (S) Pte. Ltd. and General Manager of Hong Guan Systems (S) Pte. Ltd. His stint before that was as the Finance Manager of Chartered Semiconductor Manufacturing Ltd. Mr Lai is a member of The Institute of Singapore Chartered Accountants (ISCA). He obtained his degree from the Chartered Institute of Management Accountants (UK) in 1990.

BOARD OF DIRECTORS

AMELIA VINCENT

Lead Independent Director

Ms Amelia Vincent ("Amelia") joined our Company as an Independent Director on 15 June 2016 and reappointed as our Lead Independent Director on 3 January 2020. Amelia is a reputed finance professional with over two decades of experience gained from various blue-chip multi-national companies. She is currently the Head of Finance for William Grant & Sons' Global Travel Retail project where she provides commercial finance, controls and governance support. Prior to that she was the Finance Director of Diageo for their Asia Pacific Travel Retail business unit and was in charge of strategic and commercial imperatives as well as leading the accounting, control and compliance team. Amelia has also spent 12 years in the technology industry, where she served in various roles of accounting, finance, commercial and strategic planning. She graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) in 1996 and received her Certified Public Accountant (CPA) in 1999.

NG SER CHIANG

Independent Director

Mr Ng Ser Chiang ("David") joined our Company as an Independent Director on 15 June 2016. Currently, he is a Partner of Elitaire Law LLP, an advocates and solicitors firm in Singapore. He was previously a managing partner of Hameed & Company since February 2002 and a sole proprietor of the same company from 2004 to 2010. He graduated from the University of Wolverhampton with a Bachelor of Law in 1997 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 2000. His main area of practice is in civil and criminal litigation, corporate law as well as conveyancing. He is also a director of four other Singapore incorporated private companies.

ANDREW BEK

Independent Director

Mr Andrew Bek ("Mr Bek") is our Independent Director and was appointed to our Group on 3 January 2020. Mr Bek is the chairman of the Remuneration Committee and member of the Nominating Committee and Audit Committee. Mr Bek started his career in Arthur Andersen & Co and was there from 1988 to 1997. He later joined a manufacturing company from 1997 to 1998 overseeing the accounts and finance department. He was with Ernst & Young from 1999 to 2007. He was an Investment Director at OneEquity SG Private Limited from July 2007 to January 2020. He also serves as Independent Director of a Mainboard company listed on the of SGX-ST. He formerly served as the executive director of two other listed companies, both the Mainboard and Catalist board of SGX-ST.

Mr Bek is due for re-appointment as Director at the forthcoming AGM.

KEY MANAGEMENT

ERIC SEAN KOO KONG CHEW

Eric Sean Koo Kong Chew is the Executive Director of W&P Precast Pte. Ltd. and W&P Precast Sdn. Bhd. He is responsible for the overall operations, sales and administrative matters of the companies. He graduated from the University of Bradford with a Bachelor of Business & Management (Honours) and also obtained a Graduate Diploma in Marketing from the Chartered Institute of Marketing in United Kingdom (CIMUK). He is currently a grassroots leader holding a Secretary post in Jalan Besar Neighbourhood Council in Kampong Glam (JBNC).

CHUA KIM HUA

Chua Kim Hua is the Executive Director of W & P Corporation Pte. Ltd., and is responsible for the overall operations, sales and administrative matters of the company. Mr Chua has more than 36 years of management experience in the ready-mix concrete industry, supplying ready-mix concrete products for the construction of residential and commercial buildings. He was responsible for helping the Company to obtain its ISO certification in 2011 and the Certificate of Conformity based on the new Singapore Standards SS EN 206 in 2017.

TAN JUN HAO

Tan Jun Hao is the Operations Director of PHH. He is responsible for liaising with and coordinating the work between internal and external parties in order to ensure that PHH meets all the relevant deadlines for each of its site projects. He obtained a Diploma in Management Studies from SIM University in 2010.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ng Chuan Heng
Chairman and Non-Executive Director

Tan Poh Guan
Executive Director

Lai Choong Hon
Executive Director

Amelia Vincent
Lead Independent Director

Ng Ser Chiang
Independent Director

Andrew Bek
Independent Director

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

SPONSOR

SAC Capital Private Limited
1 Robinson Road,
#21-00 AIA Tower
Singapore 048542
Tel: +65 6232 3210

PRINCIPAL BANKER

United Overseas Bank
80 Raffles Place
UOB Plaza
Singapore 048624

OCBC Bank
65 Chulia Street
OCBC Centre
Singapore 049513

Maybank
2 Battery Road
Maybank Tower
Singapore 049907

AUDIT COMMITTEE

Amelia Vincent (Chairman)
Ng Ser Chiang
Andrew Bek

NOMINATING COMMITTEE

Ng Ser Chiang (Chairman)
Amelia Vincent
Andrew Bek

REMUNERATION COMMITTEE

Andrew Bek (Chairman)
Amelia Vincent
Ng Ser Chiang

COMPANY SECRETARY

Thum Sook Fun

REGISTERED OFFICE

60 Benoi Road
03-02
Singapore 629906
Tel: +65 6268 7111

AUDITORS

Crowe Horwath First Trust LLP
Certified Public Accountants
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Date of Appointment: 21 November 2018
Partner-in-Charge: Alfred Cheong Keng Chuan

CORPORATE GOVERNANCE
REPORT

The Board ("Board") of Directors ("Directors") of AA Group Holdings Ltd. (the "Company" and together with its subsidiaries, the "Group") continue to be committed to maintain high standards of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders ("Shareholders") and promote investors' confidence.

This report outlines the Company's corporate governance practices and structures in the financial year ended 31 December 2019 ("FY 2019") with specific reference made to each of the principles of the Code of Corporate Governance 2018 (the "Code") and accompanying Practice Guidance issued on 6 August 2018 ("Practice Guidance"), which forms part of the continuing obligations of the Listings Manual Section B: Rules of Catalist ("Catalist Rules") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Code aims to promote high levels of corporate governance by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies.

Pursuant to Rule 710 of the Catalist Rules, the Board confirms that the Company and Group, have for FY 2019 complied with the Principles as set out in the Code. Where there are any deviations from the Provisions, the Company will explain how its practices are consistent with the intent of the relevant Principles.

BOARD MATTERS

The Board's conduct of its affairs

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

Provisions of the Code	Corporate Governance Report
1.1 Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.	The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The Board as a whole brings a wide range of business, financial and legal experience relevant to the Group. The principal functions of the Board, apart from its statutory responsibilities, are to: ● set and direct the long-term vision and strategic direction of the Group; ● review and approve the corporate policies, strategies, budgets and financial plans of the Company; ● monitor financial performance, including approval of the half yearly financial reports of the Company; ● oversee the business and affairs of the Company, establish, with the Management, the strategic and financial objectives to be implemented by the Management and monitor the performance of the Management; ● approve major funding decisions, material interested party transactions and all strategic matters; ● review the process of evaluating the adequacy of internal controls, risk management and compliance; ● identify the key stakeholder groups and recognise how their perceptions affect the Company's reputation; ● set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and ● consider sustainability issues (e.g. environmental and social factors) in the formulation of its strategies. Every Director, in the course of carrying out his/her duties, acts in good faith, provides insights and considers at all times, the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

Provisions of the Code	Corporate Governance Report
	In order to address and manage conflicts of interest, Directors are required to promptly declare any actual, potential and perceived conflict of interest, in relation to a transaction or proposed transaction at a Board meeting or by written notification to the company secretary (the "Company Secretary"). In addition, the Company has in place procedures for Directors to give general notice of any interests in any corporation or firm, in order to anticipate possible conflicts of interest between the Director and the Group. This procedure is conducted upon appointment and annually, prompting Directors to update any change in interests and/ or confirm its previous disclosures. Directors that are in conflict of interest with the Company, whether actual or potential, are required to recuse themselves from discussions and abstain from voting on the matter.
1.2 Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.	For newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore, the Company will arrange for the SGX-ST's prescribed training courses organised by the Singapore Institute of Directors on the roles and responsibilities of a director of a listed company, or other training institutions in areas such as management, accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties for the Directors. All newly appointed Directors will be given an orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group. To enable the Directors to gain a better understanding of the Group's business, the Directors are encouraged to request for further explanations, briefings or informal discussion on the Company's operations or business with the management. Directors are also given opportunity to visit the Group's operational facilities and meet with management staff. Where necessary, the Directors will be updated on new legislation and/or regulations which are relevant to the Group. As part of their continuing education, the Directors may attend relevant training seminars or informative talks, to apprise themselves of legal, financial and other regulatory developments, at the Company's expenses. The Directors are updated on amendments/requirements of the SGX-ST and other statutory and regulatory requirements from time to time, to enable them to make well-informed decisions and to ensure that they are competent in carrying out their expected roles and responsibilities. The Company is responsible for arranging and funding the training of Directors. The Company will arrange for Directors to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company also works closely with professionals to provide its Directors with updates in changes to relevant laws, regulations and accounting standards.
1.3 The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report	Directors are involved in the supervision of the management of the Group's operations. The Company has internal guidelines and approval limits for operational, financial and capital expenditure requirements. Under these guidelines, the matters which specifically require the Board's decision or approval are those involving: ● corporate strategy and business plan; ● investment and divestment proposals; ● funding decisions of the Group; ● nomination of Directors comprising the Board and appointment of key personnel;

<table>
<tr><th>Provisions of the Code</th><th>Corporate Governance Report</th></tr>
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half year and full year financial results for announcements, the annual report and accounts;
issuance of new shares;
material acquisitions and disposal of assets; and
all matters of strategic importance.

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<tr><td>1.4 Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.</td><td>
In order for the Board to efficiently provide strategic oversight over the Company and discharge its responsibilities more efficiently, the Board delegates specific functions to three Board Committees (the "Board Committees"), namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC").
Each Board Committee operates within clearly defined terms of reference, which includes the terms, composition, responsibilities and functional procedures of each committee. Each of these committees reports its activities regularly to the Board so that other Directors are kept updated as to the proceedings and matters discussed during such meetings. For specific agendas mandated to the Board Committees, the Board Committees will make recommendations to the Board for its approval and adoption at the Board level.
For further information on the duties and functions as well as the composition for the respective Board Committees, please refer to the various Principles in this Corporate Governance Report.
</td></tr>
<tr><td>1.5 Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.</td><td>
The Board meets regularly on a half-yearly basis and additional ad-hoc meetings may be held where circumstances require. The Company's constitution (the "Constitution") provides for meetings of the Directors to be held via telephone-conference, video-conference or similar communication equipment. The Board also approves resolutions by way of written resolutions, which are circulated to the Board together with all relevant information regarding the proposed matter.
Dates of Board and Board Committees meetings are scheduled in advance in consultation with all of the Directors. The number of Board and Board Committee meetings and the record of attendance of each Director during FY 2019 are set out in the table below:
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Position</th><th colspan="4">Number of meetings attended / Number of meetings held</th></tr>
<tr><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td colspan="6">Current Directors</td></tr>
<tr><td>Ng Chuan Heng</td><td>Chairman of the Board, Non-Executive Director</td><td>3/3</td><td>2/2*</td><td>1/1*</td><td>1/1*</td></tr>
<tr><td>Tan Poh Guan</td><td>Executive Director</td><td>3/3</td><td>2/2*</td><td>1/1*</td><td>1/1*</td></tr>
<tr><td>Lai Choong Hon</td><td>Executive Director, Financial Controller</td><td>3/3</td><td>2/2*</td><td>1/1*</td><td>1/1*</td></tr>
<tr><td>Amelia Vincent(1)</td><td>Lead Independent Director</td><td>3/3</td><td>2/2</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Ng Ser Chiang</td><td>Independent Director</td><td>3/3</td><td>2/2</td><td>1/1</td><td>1/1</td></tr>
<tr><td>Andrew Bek(2)</td><td>Independent Director</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="6">Past Directors</td></tr>
<tr><td>Lee Chong Yang(3)</td><td>Lead Independent Director</td><td>2/3</td><td>1/2</td><td>1/1</td><td>1/1</td></tr>
</table>
* By Invitation
</td></tr>
</table>

Provisions of the Code	Corporate Governance Report
	Notes: (1) Ms Amelia Vincent was re-designated from Independent Director to Lead Independent Director on 3 January 2020 and remains as the Chairman of the AC and a member of the NC and RC. (2) Mr Andrew Bek was appointed to the Board on 3 January 2020 as the Chairman of the RC and a member of the AC and NC. (3) Mr Lee Chong Yang resigned as Lead Independent Director on 6 October 2019. For the multiple board representation of the Company, please refer to Provision 4.5 set out below.
1.6 Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.	The Board is provided with timely, complete and adequate information prior to Board meetings and as and when the need arises. The Board is kept updated on the Group's operations and performance on an on-going basis, through Board papers, resolutions in writing, electronic communications or informal discussions. The Company also recognises the importance of the flow of information for the Board to discharge its duties effectively. Prior to Board meetings involving any special business to be discussed, Management will provide detailed Board papers together with related materials and background or explanatory information. This may include financial statements, budgets, forecasts and progress reports of the Group's business operations, for the Board to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. During the Board's half year meetings, Management will provide half-year financial statements of the Group. Any material variance between the actual results and the budgets will be explained to the Board at the relevant time.
1.7 Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.	The Company provides for Directors, individually or as a group, to have separate and independent access to the Management, the Company Secretary and to seek external professional advice where necessary at the expense of the Company, in the furtherance of their duties and after consultation with the Chairman of the Board. The role of the Company Secretary has been clearly defined which includes, inter alia, advising the Board on all matters regarding the proper functioning of the Board, compliance with the Company's Constitution, the Companies Act, Chapter 50 ("Companies Act"), relevant provisions of the Securities and Futures Act and the Catalist Rules. The Company Secretary also assists on governance matters from time to time, especially when there are changes to the Board composition. The Company Secretary facilitates information flows within the Board and between the Management and Non-Executive Directors. The Company Secretary attends all Board and Board Committees meetings and after every such meeting, minutes of meetings are circulated to Directors and Management to keep them informed of matters discussed at each meeting. In between Board meetings, the Company Secretary is responsible for the circulation of Board resolutions in writing, Board papers and other information and/or documents within the Board and between Management and Non-Executive Directors, if so required.

Provisions of the Code	Corporate Governance Report
	During FY 2019, the Company Secretary has attended meetings of the Board and its committees and the minutes of such meetings were circulated to all members of the Board and Board Committees. The appointment and the removal of the Company Secretary are subject to the approval of the Board as a whole.

Board Composition and Guidance

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

Provisions of the Code	Corporate Governance Report
2.1 An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.	The NC determines the independence of each Director annually. An independent director is one who is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the director's independent business judgement to the best interests of the Company. The NC conducted its annual review of the Directors' independence and was satisfied that the Company had complied with the guidelines of the Code which provide that at least one-third of the Board is made up of non-executive directors. The Company also complies with Rule 406(3)(c) of the Catalist Rules (which will take effect from 1 January 2022) which requires independent directors to comprise at least one-third of the Board. The NC and the Board take into account the existence of relationships or circumstances, including those identified by the Rule 406(3)(d) of the Catalist Rules and the Practice Guidance, that are relevant in determining a director's independence. Each independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The independent Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. The results of the self-assessment are then collated by the Company Secretary and reported to the Board. The Board, with the concurrence of the NC, has reviewed the respective confirmations and declarations of the Independent Directors, namely Ms Amelia Vincent, Mr Ng Ser Chiang and Mr Andrew Bek, and after taking into account their respective working experience and contributions, the Board is satisfied that each of them is independent in character and judgement. Given their independence, respective wealth of business and working experience and professionalism in carrying out their duties, the NC had found each of Ms Amelia Vincent, Mr Ng Ser Chiang and Mr Andrew Bek suitable to continue to act as independent Directors of the Company. The Board has accepted the NC's recommendation that each of Ms Amelia Vincent, Mr Ng Ser Chiang and Mr Andrew Bek be considered independent. Each of Mr Andrew Bek, Ms Amelia Vincent and Mr Ng Ser Chiang has abstained from deliberating on their respective independence. Each independent Director has recused himself/herself in the determination of his/her own independence.

<table>
<tr><th colspan="2">Provisions of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td></td><td></td><td>In line with Rule 460(3)(d)(iii) of the Catalist Rules which will take effect from 1 January 2022, all independent directors who have served the Board for an aggregate period of more than nine years will undergo the mandatory two-tier voting process at the 2021 AGM. Currently, none of the Independent Directors have served on the Board beyond 9 years from the respective date of their first appointment.</td></tr>
<tr><td>2.2</td><td>Independent directors make up a majority of the Board where the Chairman is not independent.</td><td>Provision 2.2 of the Code requires independent directors to make up a majority of the Board where the Chairman of the Board is not independent.

Currently, the Chairman of the Board, Mr Ng Chuan Heng, is not an Independent Director as he is a substantial Shareholder holding more than 5% in the share capital of the Company.

Nevertheless, half of the Board members were made up of Independent Directors with the majority being Non-Executive Directors. The Company notes that the current Board composition is not in compliance with Provision 2.2 of the Code. However, the Board is of the opinion that based on the Group’s current size and operations, it is not necessary nor cost effective to have independent Directors make up at least half of the Board. The NC is of the view that the current Board composition is of an appropriate size, and comprise Directors who as a group, provide the appropriate balance and mix of skills, knowledge, experience, and are sufficiently diverse so as to foster constructive debate. No individual or small group of individuals dominates the Board’s decision making.

Therefore, the NC was of the view that the Board has sufficient independent element and its composition is appropriate to facilitate effective decision-making.</td></tr>
<tr><td>2.3</td><td>Non-executive directors make up a majority of the Board</td><td>As at the date of this report, the Board comprises six (6) Directors: One Non-Executive Chairman, Two Executive Directors and Three Independent Directors, details as follows:

Chairman of the Board
Mr Ng Chuan Heng — Non-Executive Non-Independent Chairman

Executive Directors
Mr Lai Choong Hon — Executive Director
Mr Tan Poh Guan — Executive Director

Independent Directors
Ms Amelia Vincent — Lead Independent Director
Mr Ng Ser Chiang — Independent Director
Mr Andrew Bek — Independent Director

The Company has complied with Provision 2.3 as majority of the Board members are Non-Executive Directors.</td></tr>
</table>

Provisions of the Code	Corporate Governance Report
2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.	The Board, through the NC, has examined its size (taking into account the scope and nature of the operations of the Company and recommendations in the Code) and is of the view that its current Board size of six Directors is an appropriate size for effective decision-making. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process. In making its recommendation to the Board for the appointment of new Directors, the NC takes into account factors such as diversity includes gender and age, knowledge and experience of directors, complementary skills, core competencies and experience within the Board and the balance of Executive Directors and Independent Directors. The NC has considered the diversity of the Board and is of the view that there is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity of skills and experience in accounting, finance, business, management, industry knowledge and strategic planning aspects including gender and age. Details of the Board members' qualifications and experience are set out under the "Board of Directors Profile" section of this Annual Report. As of now, the Board has one female Director, representing 16.7% of the total Board membership.
2.5 Non-executive directors and/ or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.	The Independent Directors will constructively challenge and assist in the development of proposals on strategy and assist the Board in reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Their views and opinions will provide alternative perspectives to the Group's business. When challenging the Management proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. When necessary, the Independent Directors will have discussions among themselves without the presence of Management and provide feedback to the Board and Management after such meetings, where appropriate.

Chairman and Chief Executive Officer

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

Provisions of the Code	Corporate Governance Report
3.1 The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.	Presently, there is no person holding the position of chief executive officer ("CEO") in the Company as the Board is of the view that the current Board composition, consisting of two Executive Directors out of six Directors on the Board, is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Chairman and the two Executive Directors are separate persons and are not immediate family members, which allows for greater balance of power, accountability and capacity for independent decision making. Furthermore, the Board is of the view that there is a strong independent element on the Board to enable exercise of objective judgment of corporate affairs of the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the Group's affairs and operations.

Provisions of the Code	Corporate Governance Report
3.2 The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO	The Group's Chairman, Mr Ng Chuan Heng, is a Non-Executive Non-Independent Director and was appointed as Chairman on 17 December 2018. He is consulted on the Group's strategic direction and leads the Board in adhering to the Code as well as maintaining a high standard of corporate governance with the full support of the Directors and Management. Prior to each Board meeting, the Chairman, in consultation with the Management and the Company Secretary, sets the agenda for the meeting and ensures that Board members are provided with adequate and timely information. As a general rule, meeting papers are sent to Directors in advance in order for Directors to be adequately prepared for the meetings. The Chairman leads the meetings and ensures full discussion of each agenda. He also ensures that Board members are able to engage Management in constructive debate on various matters including strategic issues. Members of the Management team with proposals or who can provide insights into the discussion matters are invited to participate in the meetings. At each general meeting of shareholders, the Chairman plays a pivotal role in fostering constructive dialogue between the shareholders, the Board and the Management.
3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.	The Code encourages the appointment of a lead independent director to lead and coordinate the activities of non-executive directors in circumstances where it will be inappropriate for the Chairman to serve in such capacity Ms Amelia Vincent was re-designated as Lead Independent Director on 3 January 2020 and she is available to shareholders when they have concerns and for which contact through the normal channels of the Non-Independent Chairman has failed to resolve or is inappropriate.

CORPORATE GOVERNANCE REPORT

Board Membership

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

Provisions of the Code	Corporate Governance Report
4.1 The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to: (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel; (b) the process and criteria for evaluation of the performance of the Board its board committees and directors; (c) the review of training and professional development programme for the Board and its directors; and (d) the appointment and re-appointment of directors (including alternate directors, if any).	As at the date of this report, the NC comprises the following members, all of whom are Independent Directors: Mr Ng Ser Chiang — Chairman Ms Amelia Vincent — Member Mr Andrew Bek — Member The NC is guided by its written terms of reference which stipulates its principal roles as follows: ● to review nominations for the appointment and re-appointment to the Board and the various committees, having regard to the Director's competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) including as an Independent Director; ● to decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and its Board Committees, and the contribution of each individual Director; ● to decide, where a Director has multiple board representations and other principal commitments, whether the Director is able to and has been adequately carrying out his duties as Director of the Company; ● to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years; ● to determine on an annual basis whether or not a Director is independent; ● to review of Board succession plans for Directors; and ● to review of training and professional development programmes for the Board. In discharging its key responsibilities, the activities of the NC in FY 2019 include reviewing the following: i) the independence of Directors, particularly those who have served more than nine years; ii) the size of the Board and its composition; iii) the commitment of Directors serving on multiple boards; iv) the performance of the Board as a whole; v) the contribution by each individual Director to the effectiveness of the Board; vi) the Directors' continued training and professional development; vii) the disclosure of Board matters in the Annual Report; and viii) Board succession and renewal plans. A NC report is submitted to the Board after the end of each financial year and minutes of the NC meetings are tabled at Board meetings to keep Board members apprised. The Board provides for appointment of alternate director only in exceptional cases such as when a director has a medical emergency. Currently, there is no alternate Director on the Board.

<table>
<tr><th>Provisions of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td>4.2 The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.</td><td>Please refer to Provision 4.1 above on the name of the members and composition of the NC.

The NC currently comprises of three (3) Independent Directors, where Ms Amelia Vincent, the Lead Independent Director of the Company is one of the members of the NC.</td></tr>
<tr><td>4.3 The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.</td><td>The NC is responsible for recommending identified candidates to the Board to fill vacancies arising from resignation, retirement or any other reasons or if there is a need to appoint additional directors with the required skill or knowledge to the Board in order to fill any identified competency gap in the Board. The potential candidate may be proposed by existing directors, substantial shareholders, management or through third party referrals. Subsequent to the review of their curriculum vitae, qualifications and experience and expertise, selected candidates will be recommended to the Board for approval.

Subsequent to the FY 2019, Mr Andrew Bek has been appointed to the Board as Independent Director.

The NC also ensures compliance with the Provisions of the Company's Constitution which stipulates that at each AGM, one-third of the directors shall retire from office by rotation at least once every three years. The Company's Constitution also stipulates that new Directors appointed by the Board without shareholders' approval shall be re-elected at the next AGM following their appointment. In recommending a Director for re-appointment to the Board, the NC considers each of their contribution and performance of duties, including attendance and participation at Board and Board Committees meetings and the time and efforts accorded to the Group's business and affairs.

Each NC member will abstain from voting on any resolution in respect of the assessment of his/her performance and contribution for re-nomination as a Director of the Company.

Article 107 of the Company's Constitution requires one-third of the Directors to retire from office at each AGM of the Company and all Directors to retire from office at least once every three years. It is also provided in the Company's Constitution that the Directors appointed by the Board during the course of the year must retire and submit themselves for re-election at the next AGM of the Company following their appointments according to the Article 117 of the Company's Constitution.

The date of first appointment and last re-appointment for each of the Directors are set out below:

<table>
<tr><th>Name</th><th>Date of initial appointment</th><th>Date of last re-appointment</th></tr>
<tr><td>Ng Chuan Heng</td><td>17 December 2018</td><td>–</td></tr>
<tr><td>Tan Poh Guan</td><td>17 December 2018</td><td>–</td></tr>
<tr><td>Lai Choong Hon</td><td>18 January 2018</td><td>30 May 2018</td></tr>
<tr><td>Amelia Vincent</td><td>15 June 2016</td><td>29 April 2019</td></tr>
<tr><td>Ng Ser Chiang</td><td>15 June 2016</td><td>29 April 2019</td></tr>
<tr><td>Andrew Bek</td><td>3 January 2020</td><td>–</td></tr>
</table>
</td></tr>
</table>

Provisions of the Code	Corporate Governance Report
	Mr Ng Chuan Heng and Mr Tan Poh Guan, comprising one-third of the Directors will be retiring at and will be submitting themselves for re-election at the forthcoming AGM pursuant to the Article 107 of the Company's Constitution and Mr Andrew Bek who has been appointed to the Board on 3 January 2020, will also be subjected to retirement and will be eligible for re-election at the forthcoming AGM in accordance to the Article 117 of the Company's Constitution. After assessing their past/existing contributions and performance, the NC has recommended, with the concurrence of the Board, that the abovementioned three directors be re-elected as Directors of the Company.
4.4 The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.	Each Independent Director of the Company will confirm his independence (or otherwise) based on a checklist annually. The checklist is drawn up based on the guidelines provided under the Code. In FY 2019, the NC has reviewed the independence of the Independent Directors, having regard to the circumstances set forth in Provision 2.1 of the Code, its Practice Guidance and the Catalist Rules. Details of the review process are set out under Provision 2.1 of this report. The NC is also committed to reassess the independence of each Independent Director as and when warranted.
4.5 The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties	When a Director has multiple board representations and other principal commitments, the NC considers whether or not the Director is able to and has adequately carried out his/her duties as a Director of the Company. The NC has determined that as a general rule, the maximum listed company board representation that an Independent Director can hold, whether the company is listed in Singapore or elsewhere, is five (5) or any other number as determined by the NC on a case-by-case basis. As at the date of this report, none of the Directors hold more than five (5) listed company board representations. The NC is of the opinion that the multiple board representations held by Directors of the Company do not impede their performance in carrying out their duties to the Company. The NC is satisfied that the respective Directors have been carrying out their duties appropriately. Please refer to the "Board of Directors' profile" section of the Annual Report for the listed company directorships and other principal commitments of the Directors.

Board Performance

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

Provisions of the Code	Corporate Governance Report
5.1 The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.	The Board has adopted the process and objective performance criteria proposed by the NC, to implement an annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each individual Director to the effectiveness of the Board. The assessment is generally conducted by requesting each individual Director to complete evaluation questionnaires. Each individual Director completes an evaluation questionnaire assessing the Board as a whole and the individual Directors as well as the Chairman. In addition, Directors who are also Board Committee members are required to complete the relevant evaluation questionnaire for each committee that they are a member of. The Chairman of the NC collates the results of these evaluation forms and discusses the results collectively with other NC members to address any areas for improvement and, where appropriate, obtain approval from the Board for implementation. For FY 2019, all Directors were requested to complete a Board performance checklist, individual Director peer performance checklist and Chairman performance checklist which assessed the effectiveness of the Board, Directors and the Board Chairman. In addition, each Director was also requested to complete a Board Committees' performance checklist which assessed the performance of the respective Board Committees. The Board performance checklist includes assessment criteria such as the size of the Board; the degree of independence of the Board; information flow from Management; and adequacy of the Board and Board Committees' meetings held to enable proper consideration of issues. The findings of such performance evaluation exercise were analysed with a view to further enhance the effectiveness of the Board. This evaluation exercise provides an opportunity to obtain feedback from each Director on whether the Board's procedures and processes have allowed him/her to discharge his/her duties and to propose changes to enhance Board's effectiveness. To ensure confidentiality, completed evaluation forms by all Directors were submitted to the Company Secretary for collation. The results of the performance evaluation were presented first to the NC for review and discussion and then to the Board. The Board was satisfied with the results of the annual evaluation assessment for FY 2019.

Provisions of the Code	Corporate Governance Report
5.2 The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.	The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which addresses the level of participation, attendance at Board and Board committees' meetings, the individual Director's functional expertise, and how the Board has enhanced long-term shareholders' value. The performance criteria approved by the Board addresses how the Board has enhanced long term shareholders value, and are not changed from year to year. If circumstances deem it necessary for any of the criteria to be changed, the Board will have to propose the changes and justify its decisions. The Board evaluation criteria carried out for FY 2019 covers the following areas:- i. Board size and composition; ii. Board independence; iii. Board process; iv. Board information and accountability; and v. Standard of Conduct The evaluation of the Chairman by all the Board members and the results are reviewed by the Board. The assessment of the Chairman based on his ability and duties, facilitate open communication and discussion and decision making as well his knowledge and ethics. Individual Director evaluation is evaluated annually by every one of the Director of the Company. Some of the factors are taken into consideration include the value of contribution to the strategy, attendance and availability at Board meetings, interactive skills, industry knowledge and its experience. The NC has reviewed the overall performance of the Board and Board Committees in terms of their role and responsibilities and the conduct of their affairs, based on the performance evaluation exercise carried out for FY 2019. Through the evaluation exercise and assessment of each Director's contribution, the NC is of the view that the performance of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board has been satisfactory. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as a Director. In FY 2019, the Board did not engage an independent external consultant to facilitate the annual review of the performance of the Board and the Board Committees.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provisions of the Code	Corporate Governance Report
6.1 The Board established a Remuneration ("RC") to review and make recommendations to the Board on: (a) a framework of remuneration for the Board and key management personnel; and (b) the specific remuneration packages for each director as well as for the key management personnel.	As at the date of this report, the RC comprises entirely Independent Directors and the members of the RC are: Mr Andrew Bek — Chairman Ms Amelia Vincent — Member Mr Ng Ser Chiang — Member The RC is guided by its written terms of reference, which stipulates its principal responsibilities as follows: ● to recommend to the Board a general framework of remuneration for Board members and key management personnel; ● to determine specific remuneration packages for each Director as well as for the key management personnel. The RC's recommendations are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and senior management's fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits in kind are covered by the RC; ● to determine the appropriateness of the remuneration of Non-Executive Directors taking into account factors such as effort and time spent, and their responsibilities; ● to review and recommend to the Board the terms of renewal of the service agreements of Executive Directors; ● to consider the disclosure requirements for Directors' and key executives' remuneration as required by the SGX-ST; ● to review and recommend the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel; ● to review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel; and ● to carry out such other duties as may be agreed to by the RC and the Board. The RC is established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors and key management personnel. The overriding principle is that no Director should be involved in deciding his/her own remuneration. The RC recommends to the Board for endorsement, a framework of compensation that covers aspects of remuneration including Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximise shareholder value. No Director is involved in deciding his/her own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis.

Provisions of the Code	Corporate Governance Report
6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.	Please refer to Provision 6.1 above on the name of the members and composition of the RC.
6.3 The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.	In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.
6.4 The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.	In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arise. During FY 2019, the RC did not require the services of an external remuneration consultant. Nevertheless, the RC has explicit authority to investigate any matter within its terms of reference and to seek external expert advice should such need arise, at the Company's expense.

Level and Mix of Remuneration

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

Provisions of the Code	Corporate Governance Report
7.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. In setting remuneration packages, the RC ensures that the Executive Directors and key management personnel are adequately but not excessively remunerated as compare9d to the industry and comparable companies. The Company has a remuneration policy which comprises of a fixed component and a variable component. The fixed component comprises of basic salary, transport allowance and director's fees (if applicable), and the variable component comprises of bonuses and other benefits that are linked to the performance of the Company and the individual. The remuneration packages of the Executive Directors and key management personnel are reviewed by the RC to ensure that their interests are aligned with the interests of the Shareholders and to ensure that the remuneration is commensurate with their performance and the performance of the Company.

Provisions of the Code	Corporate Governance Report
7.2 The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.	Non-Executive Directors receive remuneration packages consisting of director fees and attendance fees which are based on a scale of fees divided into basic retainer fees as director. The RC takes into consideration the level of contribution, effort and time spent, and scope of responsibilities in determining the remuneration of Non-Executive Directors. Each of the Non-Executive Directors are entitled to annual director's fees, subject to review by the RC and the Board at the annual Board meetings and approval by the shareholders at each AGM. The Non-Executive Directors shall abstain from reviewing and approving his/her own director's fees. Save for the director's fees as disclosed, Ms Amelia Vincent, Mr Ng Ser Chiang and Mr Andrew Bek do not receive any other remuneration from the Company. Taking into account his higher level of contribution to the Group, Mr Ng Chuan Heng receives commensurate remuneration in addition to director's fees. Following the Company's acquisition of PHH, Mr Ng Chuan Heng spends substantial time and effort in facilitating the business of PHH, and his responsibilities include helping Management develop proposals on strategy for PHH and reviewing the performance of Management in meeting agreed goals and objectives for PHH.
7.3 Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.	As at the date of this report, the Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Executive Directors owe fiduciary duties to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The Company had no long-term incentive schemes in place during FY 2019.

Disclosure on Remuneration

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

Provisions of the Code	Corporate Governance Report
8.1 The company disclose in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and	The RC recommends to the Board a framework of remuneration for the Directors and key management personnel taking into account employment conditions within the industry and the Group's performance to ensure that the package is competitive and sufficient to attract, retain and motivate them to run the Group successfully in order to maximise shareholders' value. Each of the RC members shall abstain from the decision-making process concerning his/her own remuneration.

Provisions of the Code	Corporate Governance Report
(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.	The Company advocates a performance-based remuneration system for Executive Directors and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group. In view of the above, the Company has chosen to make disclosure in relation thereto in bands of S$250,000 with a breakdown in percentage. The Company is of the view that such disclosures would provide adequate information on the remuneration policies and practice of the Group while maintaining the confidentiality of the Directors' remuneration matters.

Remuneration of Directors in FY 2019

Name	Base Salary	Bonus	Director's Fees	Other	Total
Above S$500,000					
Ng Chuan Heng	–	–	16%	84%*	100%
S$250,000 to S$500,000					
Tan Poh Guan	78%	–	14%	8%	100%
Lai Choong Hon	42%	22%	21%	15%	100%
Below S$250,000					
Amelia Vincent	–	–	100%	–	100%
Ng Ser Chiang	–	–	100%	–	100%
Lee Chong Yang(1)	–	–	100%	–	100%
Andrew Bek(2)	–	–	–	–	–

* *Consultation Fee*

Remuneration of Key Management Personnel in FY 2019

Name	Base Salary	Bonus	Other benefits	Total
S$250,000 to S$500,000				
Tan Jun Hao	95%	–	5%	100%
Below S$250,000				
Chua Kim Hua	71%	–	29%	100%
Eric Sean Koo Kong Chew	82%	8%	10%	100%

Note:

(1) Mr Lee Chong Yang has resigned as Lead Independent Director on 6 October 2019.

(2) Mr Andrew Bek was appointed as Independent Director on 3 January 2020.

The aggregate remuneration paid to key management personnel (who are not Directors or CEO) for FY 2019 is approximately S$613,980.00.

There are no termination, retirement or post-employment benefits that are granted to the Directors and the key management personnel of the Group.

Provisions of the Code	Corporate Governance Report
	The Board is of the view that full disclosure of the specific remuneration of each individual Director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.
8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	Save for Mr Tan Jun Hao and Mr Tan Poh Guan (Executive Director) who are relatives, there were no employees who are the substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company whose remuneration exceeded S$100,000 during FY 2019.
8.3 The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.	Please refer to the Provision 8.1 on Remuneration of Directors and key management personnel above. During FY 2019, the Company had no employee share schemes in place.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provisions of the Code	Corporate Governance Report
9.1 The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.	The Board as a whole is responsible for risk management and no separate risk committee has been established. The Management regularly reviews the Company's business and operational activities and control policies and procedures, and highlights areas of significant risks to the Board. The Board then determines the Company's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the Group's risk management and internal control systems.

Provisions of the Code	Corporate Governance Report
	The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and evaluate potential financial consequences, as well as for the authorisation of capital expenditures and investments. Comprehensive budgeting systems are in place to develop annual budgets covering key aspects of the business of the Group. Actual performance is compared against budgets and periodical revised forecasts for the year. The Board, together with the AC, reviews annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review is carried out internally and with the assistance of the internal and external auditors. Any material non-compliance or lapses in internal controls, together with recommendations for improvement from the internal and external auditors are reported to the AC. The AC reviews the internal and external auditor's comments to ensure that there are adequate internal controls in the Group. The Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance, information technology controls and risk management to which the Group is exposed in its current business environment as at 31 December 2019. No material internal control weaknesses had been raised by the internal auditors in the course of their audits for FY 2019. This is based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management and the Board.
9.2 The Board requires and discloses in the company's annual report that it has received assurance from: (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.	In FY 2019, based on the Management representation, enquiries made thereof and in accordance with the requirements of the Catalist Rules, the Board issued negative assurance statements in its half yearly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. The Executive Directors and the Financial Controller of the Company have given assurance to the Board that as at the end of FY 2019, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective. Based on the assurance from the Executive Directors and Financial Controller referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's the risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems) as at 31 December 2019.

Audit Committee

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

Provisions of the Code	Corporate Governance Report
10.1 The duties of the AC include: (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance; (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems; (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements; (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors; (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.	The AC is authorised to investigate any matter falling within its written terms of reference and has full access to and co-operation of the management. The AC has full discretion to invite any Director or key management personnel to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the external auditors and internal auditors. Further to the above, the AC has an explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the Management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any Director or executive officer or any other person to attend its meetings. In the event that a member of the AC is interested in any matter being considered by the AC, he/she shall abstain from reviewing that particular transaction or voting on that particular resolution. The AC is regulated under its written terms of reference. The principal functions of the AC include: ● reviewing the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and reporting to the Board annually; ● reviewing the adequacy and effectiveness of the internal audit function; ● reviewing the internal and external auditors' annual audit plan; ● reviewing the internal and external auditors' reports and the independence and objectivity of the external auditors; ● reviewing the co-operation given by the Company's officers to the internal and external auditors; ● ensuring the integrity of the financial statements of the Group before submission to the Board for approval of release of the results announcement on SGXNET; ● nominating external auditors for appointment and re-appointment and approving the remuneration and terms of engagement of the external auditors; ● meeting with the internal auditors and external auditors without the presence of the management at least once a year; ● reviewing internal control procedures; and ● reviewing and ratify all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis. In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the Management, the external auditors and the internal auditors on changes to the accounting standards, stock exchange rules and other codes and regulations which could have an impact on the Group's business and financial statements.

<table>
<tr><th>Provisions of the Code</th><th>Corporate Governance Report</th></tr>
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<u>Activities of the AC</u>
The AC met twice in FY 2019. Details of the members' attendance at the meetings are set out at page 14 in this Annual Report. The meeting materials are circulated to the Directors by the Company Secretary. The Financial Controller, Company Secretary, internal auditors and external auditors are invited to these meetings.
During the FY 2019, the AC has reviewed the audit plans for FY 2019 presented by the external and internal auditors. The AC has also reviewed the half-yearly and yearly financial statements together with the Management, the Financial Controller and the external auditors regarding the significant accounting policies, judgment and estimates applied by the management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for further review and approval of the audited annual financial statements.
Apart from the above, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularity, failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company's operational results and/or financial position.
<u>Evaluation of external auditors</u>
During FY 2019, the AC reviewed the Audit Planning Memorandum prepared by Group's external auditors. The AC discussed with the Group's external auditors on their terms of engagement, materiality level of their work, significant risks assessment, areas of audit focus and audit quality indicators, before the commencement of their audit work.
The AC undertook a review of the independence and objectivity of the external auditors annually, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.
The external auditors also provide regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. This includes the recent adoption of the Singapore Financial Reporting Standards (International) (SFRS(I)) and its impact on the Group's accounting policies and methods of computation.
Significant matters that were discussed with the Management and the external auditors have been included as key audit matters in the Auditors' Report for FY 2019 on page 44 of this Annual Report.
<table>
<tr><th>Significant matters</th><th>How does the AC address the matter</th></tr>
<tr><td>Impairment assessment of goodwill</td><td> The AC has reviewed the Management's approach as well as the reasonableness of the estimates and key assumptions used in determining the recoverable values for the goodwill arose from various acquisitions, which includes (i) growth margin; (ii) growth rate and perpetual growth rate; and (iii) discount rate including the estimated recoverable value. The AC was satisfied that the approach was appropriate and the key assumptions were reasonable. The external auditor has included this item as a key audit matter in the Independent Auditors' Report for the financial year ended 31 December 2019. Please refer to page 44 of this Annual Report. </td></tr>
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Provisions of the Code	Corporate Governance Report
	The aggregate amount of audit fees paid and payable by the Group to the current external auditors, Crowe Horwath First Trust LLP, for FY 2019 is approximately S$90,000. There were no non-audit services provided by the external auditors for the FY 2019. The AC has recommended to the Board the nomination of Crowe Horwath First Trust LLP for re-appointment as auditors of the Company at forthcoming AGM. The Company is of the view that it has complied with Rule 712 and 715 of the Catalist Rules in relation to its external auditors. **Whistle-Blowing Policy** The Company has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or management, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regard, the AC has adopted a whistle-blowing policy in 2008 and further reviewed it in the FY 2018 (the "Whistle-Blowing Policy"). The AC is tasked with overseeing the administration of the Whistle-Blowing Policy. The Whistle-Blowing Policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to the Chairman of the AC (Ms Amelia Vincent) and another independent Director, Mr Andrew Bek. Since the adoption of the Whistle-Blowing Policy, there were no complaints, concerns or issues received by the AC. The policy and procedures for raising any concerns is communicated to all employees of the Group during the orientation for new employees.
10.2 The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.	As at the date of this report, the AC comprises entirely Independent Directors and the members of the AC are: Ms Amelia Vincent — Chairman Mr Ng Ser Chiang — Member Mr Andrew Bek — Member Please refer to Provision 10.1 for the AC's key terms of reference and duties. The Board considers that the members of the AC are appropriately qualified to fulfil their responsibilities as the members bring with them invaluable managerial and professional expertise in the accounting and financial management. Ms Amelia Vincent is the Head of Finance at William Grant and Sons Pte Ltd and Mr Andrew Bek has relevant financial management expertise and experience.
10.3 The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.	None of the members of the AC is a former partner or director of the Company's existing auditing firm.

Provisions of the Code	Corporate Governance Report
10.4 The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.	The Board recognises the importance of maintaining a system of internal controls, procedures and processes for the Group to safeguard shareholders' investments and the Group's assets. The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors. The primary reporting line of the internal audit function, which has been outsourced to Nexia TS Risk Advisory Pte. Ltd. ("Nexia"), is to the AC, which also endorses the appointment, termination and remuneration of the internal auditors. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company. Upon the recommendation by the AC, the Board has approved the re-engagement of Nexia as internal auditors of the Group in the ensuing year ending 31 December 2020 & 2021. The Company's internal audit function is independent of the external audit. The internal auditors, Nexia, is a corporate member of the Institute of Internal Auditors Singapore. Nexia is staffed with professionals with relevant qualifications and experience. At the beginning of each financial year, an annual internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the AC. The audit plan has been devised in such a way that all the major functions or business units will be internally audited within an internal audit cycle. Having reviewed the audit plan of Nexia, the AC was satisfied that the Company's internal audit function was adequately resourced to perform the work for the Group. For FY 2019, the AC had reviewed the adequacy and effectiveness of the internal audit function to ensure that internal audits were conducted effectively, and that Management provided the necessary co-operation to enable the internal auditors to perform the function. For FY 2019, after having reviewed the internal audit reports and remedial actions implemented by Management, the AC was satisfied that the internal audit functions were independent, effective and adequately resourced.
10.5 The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.	The AC meets with the external and internal auditors without the presence of Management at least once a year. The AC meets with the auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and conduct of general meetings

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

Provisions of the Code	Corporate Governance Report
11.1 The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.	Shareholders are entitled to attend the general meetings and are given the opportunity to participate effectively in and vote at the general meetings of the Company. The Company ensures that all shareholders have equal opportunity to participate effectively in and vote at general meetings in person and held in Singapore to give the opportunity to air their views and ask Directors or the Management questions regarding the Group. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions. The rules including the voting procedures are set out in the notice of general meetings. These notices are publicly announced via SGXNET and posted on the Company's website. Resolutions tabled at general meetings are passed through a process of voting by poll whereby the procedures are clearly explained by the scrutineers at the beginning of the voting in such general meetings. Pursuant to the provisions in the Company's Constitution, shareholders who are not relevant intermediaries may appoint up to two proxies, during his/her absence, to attend, speak, vote on his/her behalf at general meetings. Shareholders who are relevant intermediaries such as banks, capital market services licence holders which provide custodial services for securities are allowed to appoint more than two proxies. This is to facilitate indirect shareholders including CPF investors to participate in general meetings. Such indirect shareholders where so appointed as proxy, will have the same rights as direct shareholders to attend, speak and vote at general meetings. The Company will make an announcement of the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages to the public via SGXNET. While acknowledging that voting by electronic poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness to employ electronic polling.

Provisions of the Code	Corporate Governance Report
11.2 The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.	The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. There is no bundling of the resolutions as they are not interdependent and linked to each other. Detailed explanatory notes on each item of the agenda are also provided in the Notice of AGM in this Annual Report. The Notice of AGM and the accompanying Proxy Form will be circulated separately from the Annual Report before 29 June 2020.
11.3 All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.	The Chairman and members of the AC, NC and RC will be present at general meetings to address any questions the shareholders may have concerning the Group. The Company's external auditor will also present to address queries relating to conduct of audit and the preparation and content of the auditor's report.
11.4 The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.	The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities through the web is not compromised.
11.5 The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.	General meetings are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given opportunities to voice their views and seek clarification to the Board on any matters relating to the Group's business and operations. The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and Management, and minutes of the general meeting will be published as soon as practicable via corporate website.
11.6 The company has a dividend policy and communicates it to shareholders.	The Company does not have a fixed dividend policy. The form, frequency and amount of dividend will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Board may deem appropriate. The Board has not declared or recommended a dividend for FY 2019 in order to conserve cash for use as future working capital in a challenging business environment.

Engagement with Shareholders

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

Provisions of the Code	Corporate Governance Report
12.1 The company provides avenues for communication between the Board and all shareholders and discloses in its annual report the steps taken to solicit and understand the views of shareholders.	All shareholders are treated fairly and equitably to facilitate their ownership rights. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate and vote at the meetings, whether in person or by proxy. The Board recognises the importance of maintaining transparency and accountability to the shareholders, and is mindful of the obligation to provide shareholders with information on all major developments that affect the Group in accordance with the Catalist Rules and the Companies Act. Information is communicated to Shareholders on a timely basis through: ● annual reports that are despatched to all shareholders and released on the SGXNET; ● announcements on half-year and full-year financial results and all major developments on the SGXNET; ● press releases or media/analyst briefings to keep shareholders informed of corporate developments; and ● corporate website (aagroupholdings.com). The Company ensures that price-sensitive information is publicly released and is announced promptly and within the mandatory period as required under the Catalist Rules. Shareholders and potential investors with comments and queries regarding the information communicated by the Company may send their enquiries to the email address at info@aagroupholdings.com provided at the Company's website.
12.2 The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.	The Board places great emphasis on investor relations. The Company strives to maintain a high standard of transparency and promote better investor communication. The Company believes that a high standard of disclosure is essential to raise the level of corporate governance. Interim and full year results and press releases are published on SGXNET. All information of the Company's new initiatives is first disseminated via SGXNET followed by a press release. Where there has been an inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNET, before the Company meets with any investors or analysts.
12.3 The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.	The Board welcomes shareholders to attend all general meetings of the Company, which represent the principal forum for dialogue and interaction between the Board, Management and the Company, and for shareholders to share their concerns and views.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

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

Provisions of the Code	Corporate Governance Report
13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.	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. Stakeholders include customers, employees, government and regulators, industry associations, shareholders and investors and suppliers. The Company engages its stakeholders through various channel to ensure that the business interests of the Group are balanced against the needs and interest of its stakeholder.
13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Please refer to the Provision 13.1 and 13.3 for more details. Nevertheless, the Company's price-sensitive information is publicly released and is announced promptly and within the mandatory period as required under the Catalist Rules and its Sustainability Report 2018 announced via SGXNET on 24 May 2019.
13.3 The company maintains a current corporate website to communicate and engage with stakeholders.	All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner throught SGXNet, press releases, or the Company's website at https://www.aagroupholdings.com.sg/. Please refer to Provision 12.1 for more details.

DEALINGS IN SECURITIES

The Company has adopted policies in line with Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company has adopted an internal code on dealings in securities to govern dealings in the Shares by the Directors and the key executives of the Group, Directors and Management and officers of the Group, who have access to price sensitive, financial or confidential information are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year and full year financial results and ending on the date of the announcement of the results.

The Board confirms that for FY 2019, the Company has complied with Rule 1204(19) of the Catalist Rules.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has procedures established for the review and approval of the Company's interested person transactions. All interested person transactions will be documented and submitted to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Company does not have a general mandate from shareholders for recurrent interested person transactions. There were no interested person transactions with a value of S$100,000 or more during FY 2019.

MATERIAL CONTRACTS

Two of the Directors, Mr Ng Chuan Heng and Mr Tan Poh Guan, indirectly holds shareholding interest in Power Works Pte. Ltd. ("Power Works"), a major customer of PHH. Each of Mr Ng Chuan Heng and Mr Tan Poh Guan holds 33.33% shares in a company known as Benetre Pte. Ltd., which in turn holds 25% shares in Power Works, and this results in each of Mr Ng Chuan Heng and Mr Tan Poh Guan indirectly holding 8.33% in the share capital of Power Works. The two subcontracting agreements entered into between PHH and Power Works relate to construction projects, whereby PHH is engaged as the subcontractor to Power Works to carry out civil and associated works, including the installation of cable works.

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder of the Company during FY 2019, save as disclosed above and in this Annual Report.

Separately, the Company has entered into new service agreements with Mr Ng Chuan Heng, Mr Tan Poh Guan and Mr Lai Choong Hon. Under the new service agreement for Mr Ng Chuan Heng, his Director's fees will be novated to consultation fee. Mr Ng Chuan Heng provides consultancy services and facilitates any business operational matters or otherwise, to ensure the continuity of the business of PHH. Under the new service agreement for Mr Tan Poh Guan and Mr Lai Choong Hon, their Directors' fees will be novated to salary as both of them are managing the Group's operation and finances on a daily basis. There will not be any Directors' fee paid to non-independent directors going forward.

NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is SAC Capital Private Limited (the "Sponsor") in place of Stamford Corporate Services Pte. Ltd. with effect from 26 December 2019.

In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor by the Company during FY2019 for Stamford Corporate Services Pte. Ltd. and SAC Capital Private Limited respectively.

USE OF PROCEEDS

As at the date of this report, a total of 281,822,350 Warrants had been exercised and S$3,381,868 had been received by the Group. The proceeds arising from the exercise of these Warrants may, at the discretion of the Directors, be applied towards expanding the business of the Group, financing business ventures through acquisitions and/or strategic investments and working capital. Of this amount, S$2,000,000 was utilised for business expansion through the acquisition of subsidiaries and the businesses of such subsidiaries and S$1,381,000 was utilised for working capital purposes.

The remaining net proceeds as at the date of this report is NIL. The use of proceeds is in accordance with the intended use as disclosed in the circular to shareholders dated 31 October 2016.

CORPORATE SOCIAL RESPONSIBILITY

The Group has always placed emphasis on conducting its business in a responsible manner while adding value to its stakeholders. The Group believes that environmentally friendly practices complement business efficiency. The Group's staff are encouraged to reduce, recycle and reuse and advocate corporate social responsibility towards the environment by incorporating these processes in our daily operations. The Group encourages the various practices to reduce the pollution to earth and water, such as re-using single-side paper in office, using oil traps and managing scheduled waste like contaminated rugs and gloves in our operations.

During FY 2019, the Company has diversified the Group's business activities into the areas of leasing of property and provision of property related services, and manufacturing and supply of construction-related materials. The Company acknowledges that it is important to have sustainability and to implement appropriate policies and programmes in line with the requirements of SGX-ST and good practice. The Company is conducting a follow up review of its FY 2019 sustainability report and will upload its FY 2019 sustainability report on SGXNET before the end of May 2020.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The Directors present their statement to the members together with the audited financial statements of AA Group Holdings Ltd. (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the Directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 48 to 111 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Ng Chuan Heng
Tan Poh Guan
Lai Choong Hon
Amelia Vincent
Andrew Bek (appointed on 3 January 2020)
Ng Ser Chiang

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		
	At 1 January 2019	**At 31 December 2019**	**At 21 January 2020**
Company			
Ordinary shares			
Ng Chuan Heng	215,900,000	215,900,000	427,900,000
Tan Poh Guan	60,175,000	60,175,000	88,461,017
Lai Choong Hon	21,000,000	21,000,000	21,000,000

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

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the 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.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Warrants

On 21 December 2016, the Company issued 962,762,010 unlisted warrants on the basis of 10 (ten) rights cum warrants for every 1 (one) existing ordinary shares held in the capital of the Company. Each warrant entitles the holder to subscribe for 1 (one) new ordinary share in the Company at the exercise price of S$0.012 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

Date of issue	Warrants outstanding at 1/1/2019	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2019	Date of expiry
21/12/2016	680,945,760	(6,100)	(680,939,660)	–	20/12/2019

As at the end of the financial year, except as disclosed above, no other warrants to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of warrants to take up unissued shares of the Company. No options to take up unissued shares of the Company were outstanding as at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year are as follows:

Amelia Vincent (Chairman)
Andrew Bek
Ng Ser Chiang

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Audit committee (Continued)

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report included in the Annual Report of the Company.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

Lai Choong Hon
Director

Tan Poh Guan
Director

3 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD.

Crowe

Crowe Horwath First Trust LLP
8 Shenton Way
#05-01 AXA Tower
Singapore 068811
Main +65 6221 0338
Fax +65 6221 1080
www.crowe.sg

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AA Group Holdings Ltd. (the Company) and its subsidiaries (the Group), set out on pages 48 to 111, 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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. The matter was 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 this matter.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

Crowe

Key Audit Matter (Continued)

Impairment assessment of goodwill
Refer to the following notes to the financial statements
~ Note 2 "Critical Accounting Judgements and Key Sources of Estimation Uncertainty"
~ Note 6 "Goodwill"

The key audit matter	***How the matter was addressed in our audit***
For the current financial year, goodwill subject to impairment testing was S$3,630,952 which includes the finalised goodwill of S$2,506,422 after the completion of Purchase Price Allocation ('PPA') of a subsidiary acquired in 17 December 2018, as disclosed in Note 7(c) to the financial statements. Goodwill relates to the relevant cash generating unit ("CGUs") under the two operating segments as disclosed in Note 6 to the financial statements. In accordance with the requirements of SFRS(I) 1-36, management performed annual impairment test for goodwill, by comparing the estimated recoverable amount with the carrying amount of each CGU as at reporting date. The impairment testing requires significant management judgement to estimate key assumptions, such as (a) gross margin, (b) growth rate and perpetual growth rate and (c) discount rate. We focused on this area in view of the significant management judgement involved, which is inherently subjective. As a result of the impairment test, the Group recognised a full impairment loss of goodwill relating to one CGU during the current financial year, amounting to S$1,124,530 (Note 21) recorded in "Other expenses" caption. The carrying amount of goodwill as at 31 December 2019 was S$2,506,422 (Note 6).	Our audit procedures focused on evaluating and challenging the key estimates used by management in determining the recoverable amounts of these assets. Our key procedures applied include: ● Review the measurement period restatement adjustment, including reviewing the PPA performed by the external specialist, the identified intangible assets and resulting changes to the provisional goodwill; ● Check mathematical accuracy of management's value in use calculations including the carrying amounts of assets within the CGUs; ● Obtain an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs; ● Challenge the reasonableness of key assumptions mainly the (a) budgeted gross margin, (b) growth rate and perpetual growth rate and (c) discount rate; ● Perform sensitivity analysis in consideration of the potential impact of reasonably possible downside changes in these key assumptions; and ● Test the robustness of management's forecast by comparing previous forecast to actual results, if applicable. Based on the results of the above procedures, we note that the judgements applied by management were balanced; the key assumptions and estimates used in determining the recoverable values were reasonable; and the disclosures to be appropriate.

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Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe the matter 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 Alfred Cheong Keng Chuan.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

(Amounts in Singapore dollars ("S$"))

	Note	Group		Company	
		2019	2018	2019	2018
		S$	S$	S$	S$
			(Restated) (Note 7(c))		
ASSETS					
Non-current assets					
Property, plant and equipment	3	55,991,754	59,526,961	–	–
Right-of-use assets	4	5,981,997	–	–	–
Intangible assets	5	2,764,336	3,682,161	–	–
Goodwill	6	2,506,422	3,630,952	–	–
Subsidiaries	7	–	–	34,000,002	36,700,002
Financial assets, at FVOCI	8	34,755	150,000	–	–
		67,279,264	66,990,074	34,000,002	36,700,002
Current assets					
Inventories	9	122,943	100,343	–	–
Trade and other receivables	10	4,259,453	16,445,747	145,287	1,942,386
Other current assets	11	351,001	494,122	9,961	6,217
Cash and bank balances		6,643,415	3,115,524	89,482	80,864
		11,376,812	20,155,736	244,730	2,029,467
TOTAL ASSETS		78,656,076	87,145,810	34,244,732	38,729,469
LIABILITIES					
Non-current liabilities					
Bank borrowings	12	–	820,405	–	–
Lease liabilities from financial institutions	13	26,757	51,861	–	–
Lease liabilities	14	6,098,190	–	–	–
Deferred tax liabilities	15	9,383,313	9,908,624	–	–
Other liabilities	16	470,931	648,360	–	–
Bond payable	17	–	–	–	1,000,000
		15,979,191	11,429,250	–	1,000,000
Current liabilities					
Trade and other payables	16	6,064,806	9,613,163	12,207,956	11,457,217
Bond payable	17	–	–	1,000,000	–
Bank borrowings	12	–	3,788,774	–	–
Lease liabilities from financial institutions	13	27,281	51,436	–	–
Lease liabilities	14	491,149	–	–	–
Provision for income tax		1,572,141	1,698,422	–	–
		8,155,377	15,151,795	13,207,956	11,457,217
TOTAL LIABILITIES		24,134,568	26,581,045	13,207,956	12,457,217
NET ASSETS		54,521,508	60,564,765	21,036,776	26,272,252
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	35,225,394	35,225,321	35,225,394	35,225,321
Reserves	19	19,303,382	25,320,075	(14,188,618)	(8,953,069)
		54,528,776	60,545,396	21,036,776	26,272,252
Non-controlling interests		(7,268)	19,369	–	–
TOTAL EQUITY		54,521,508	60,564,765	21,036,776	26,272,252

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

(Amounts in Singapore dollars ("S$"))

	Note	2019 S$	2018 S$
Continuing operations			
Revenue	20	23,899,899	19,593,708
Cost of sales and services		(14,890,987)	(14,081,306)
Gross profit		9,008,912	5,512,402
Other income	21	407,477	160,377
Distribution costs		(1,070,991)	(1,120,099)
Administrative expenses		(7,459,812)	(4,966,570)
Other expenses	21	(2,637,472)	(1,613,396)
Finance income	22	176,247	541,917
Finance costs	23	(336,522)	(342,411)
(Provision) / Write-back of impairment loss on financial assets, net	24	(3,976,097)	95,892
Loss before tax	24	(5,888,258)	(1,731,888)
Income tax (expense) / credit	26	(40,736)	40,174
Loss for the year		(5,928,994)	(1,691,714)
Discontinued operations			
Loss from discontinued operations	27(a)	–	(4,012,296)
Total loss		(5,928,994)	(5,704,010)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
- Currency translation differences arising from consolidation		909	286,259
- Currency translation differences arising from disposal of subsidiaries		–	4,194,781
Item that will be not be reclassified subsequently to profit or loss:			
- Equity investment at FVOCI – net change in fair value	8	(115,245)	–
Total comprehensive loss for the year		(6,043,330)	(1,222,970)
Loss from continuing operation, net of tax attributable to:			
Equity holders of the Company		(5,902,357)	(1,658,187)
Non-controlling interests		(26,637)	(33,527)
		(5,928,994)	(1,691,714)
Loss from discontinued operation, net of tax attributable to:			
Equity holders of the Company		–	(4,012,296)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

(Amounts in Singapore dollars ("S$"))

	Note	2019 S$	2018 S$
Total loss attributable to:			
Equity holders of the Company		(5,902,357)	(5,670,483)
Non-controlling interests		(26,637)	(33,527)
		(5,928,994)	(5,704,010)
Total comprehensive loss attributable to:			
Equity holders of the Company		(6,016,693)	(1,189,443)
Non-controlling interests		(26,637)	(33,527)
		(6,043,330)	(1,222,970)
Loss per share (cents) from continuing and discontinued operations attributable to equity holders of the Company			
Basic	28	(0.33)	(0.24)
Diluted	28	(0.32)	(0.21)
Loss per share (cents) from continuing operations attributable to equity holders of the Company			
Basic	28	(0.33)	(0.07)
Diluted	28	(0.32)	(0.06)
Loss per share (cents) from discontinued operations attributable to equity holders of the Company			
Basic	28	–	(0.17)
Diluted	28	–	(0.15)

The accompanying notes are an integral part of the financial statements.

(Amounts in Singapore dollars ("S$"))

2019
Group

	Note	Attributable to equity holders of the Company						Non-controlling interests	Total equity
		Share capital	Merger reserve	Translation reserve	Fair value reserve	Retained earnings	Total		
		S$	S$	S$	S$	S$	S$	S$	S$
Balance as at 1.1.2019		35,225,321	(6,478,399)	4,731	–	31,793,743	60,545,396	19,369	60,564,765
Loss for the year		–	–	–	–	(5,902,357)	(5,902,357)	(26,637)	(5,928,994)
Other comprehensive income, net of tax:									
- Currency translation differences arising from consolidation		–	–	909	–	–	909	–	909
- Equity investment in FVOCI – net change in fair value	8	–	–	–	(115,245)	–	(115,245)	–	(115,245)
Total comprehensive income / (loss) for the year		–	–	909	(115,245)	(5,902,357)	(6,016,693)	(26,637)	(6,043,330)
Contributions by owners									
Issuance of new ordinary shares	18	73	–	–	–	–	73	–	73
Balance at 31.12.2019		35,225,394	(6,478,399)	5,640	(115,245)	25,891,386	54,528,776	(7,268)	54,521,508

2018
Group

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Merger reserve	Translation reserve	Retained earnings	Total		
		S$	S$	S$	S$	S$	S$	S$
As at 1.1.2018		28,131,289	(6,478,399)	(4,476,309)	37,464,226	54,640,807	52,896	54,693,703
Loss for the year		–	–	–	(5,670,483)	(5,670,483)	(33,527)	(5,704,010)
Other comprehensive income, net of tax:								
- Currency translation differences arising from consolidation		–	–	286,259	–	286,259	–	286,259
- Currency translation differences arising from disposal of subsidiaries	27(b)	–	–	4,194,781	–	4,194,781	–	4,194,781
Total comprehensive income / (loss) for the year		–	–	4,481,040	(5,670,483)	(1,189,443)	(33,527)	(1,222,970)
Contributions by owners								
Issuance of new ordinary shares	18	7,094,032	–	–	–	7,094,032	–	7,094,032
Balance at 31.12.2018		35,225,321	(6,478,399)	4,731	31,793,743	60,545,396	19,369	60,564,765

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

(Amounts in Singapore dollars ("S$"))

	Note	2019 S$	2018 S$
Cash flows from operating activities			
Loss before tax:			
- Continuing operations		(5,888,258)	(1,731,888)
- Discontinued operations	27(a)	–	(4,012,296)
		(5,888,258)	(5,744,184)
Adjustments:			
Depreciation of property, plant and equipment	24	3,371,200	3,023,525
Depreciation of right-of-use assets	24	555,362	–
Amortisation of intangible assets	21	917,825	494,708
Impairment loss on property, plant and equipment	24	54,582	–
Impairment loss on goodwill	21	1,124,530	1,108,095
Impairment loss on right-of-use assets	21	520,570	–
Loss on disposal of subsidiaries	27(a)	–	53,096
Loss / (gain) on disposal of property, plant and equipment	21	67,503	(47)
Net foreign exchange loss – unrealised		823	12,168
Provision / (Write-back) of impairment loss on financial assets, net	24	3,976,097	(95,892)
Property, plant and equipment written off	24	–	74,550
Interest income	22	(176,247)	(541,917)
Interest expense	23	334,275	342,411
Operating profit / (loss) before working capital changes		4,858,262	(1,273,487)
Inventories		(22,600)	3,467,888
Trade and other receivables and other current assets		8,529,565	7,579,524
Trade and other payables		(3,225,786)	(6,794,787)
Cash generated from operations		10,139,441	2,979,138
Interest received		–	58,040
Interest paid		(334,275)	(342,411)
Income tax paid		(791,017)	(948,703)
Income tax refund		98,690	–
Net cash from operating activities		9,112,839	1,746,064
Cash flows from investing activities			
Purchase of property, plant and equipment	3(a)	(10,110)	(253,508)
Net cash outflow on acquisition of subsidiaries	7(c)	–	(382,221)
Disposal of subsidiaries, net of cash disposed	27(b)	–	7,346,618
Proceeds from disposal of property, plant and equipment		52,032	7,780
Net cash from investing activities		41,922	6,718,669
Cash flows from financing activities			
Repayment of money market loan	12	(3,000,000)	(1,519,987)
Proceeds from issue of ordinary shares	18	73	94,032
Repayment of amount due to a former shareholder of its subsidiary	16	(500,000)	–
Repayment of bond	17	–	(6,000,000)
Principal repayment of lease liabilities	14	(468,505)	–
Principal repayment of lease liabilities from financial institutions	13	(49,259)	(129,528)
Repayment of term loan	12	(1,609,179)	(701,668)
Net cash used in financing activities		(5,626,870)	(8,257,151)
Net increase in cash and cash equivalents		3,527,891	207,582
Cash and cash equivalents at beginning of year		3,115,524	2,907,942
Cash and cash equivalents, representing cash and bank balances at end of year		6,643,415	3,115,524

The accompanying notes are an integral part of the financial statements.

(Amounts in Singapore dollars unless otherwise stated)

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

1. GENERAL INFORMATION

AA Group Holdings Ltd. (the "Company") is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office and its principal place of business is located at 60 Benoi Road #03-02, Singapore 629906.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 3 April 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s"). The financial statements are presented in Singapore dollars ("S$") as indicated.

The preparation of the financial statements in conformity with (SFRS(I)s) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2019, the Group adopted the new or amended SFRS(I)s and SFRS(I) Interpretations ("SFRS(I) INT") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s and SFRS(I) INT. The adoption of these new or amended SFRS(I)s and SFRS(I) INT did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as disclosed below:

Adoption of SFRS(I) 16 *Leases*

This new standard on leases supersedes the previous standard (SFRS(I) 1-17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For lessees, SFRS(I) 16 reforms lessee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. SFRS(I) 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The Group, as lessee, has leases previously classified under operating leases. Lease liabilities at 1 January 2019 are measured at present value of remaining lease payments discounted using incremental borrowing rate on that date. For all such leases, the Group elect to measure the Right-of-Use ("ROU") assets at amounts equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised standards (Continued)

Adoption of SFRS(I) 16 *Leases* (Continued)

Practical expedients applied

As allowed by SFRS(I) 16, the Group applies definition of leases under SFRS(I) 16 only to contracts entered on or after 1 January 2019 to determine whether or not the contracts contain a lease. For contracts determined to be a lease as at 31 December 2018 using SFRS(I) 1-17 and INT SFRS(I) 4, the Group applied transition requirements in SFRS(I) 16 as described above.

In addition, the Group also elect to apply the following practical expedients to leases previously classified as operating leases, and hence, the Group:

- did not recognise lease liabilities and ROU assets to leases with lease terms ended during the current financial year.

- determined lease term on 1 January 2019 using hindsight of the actual extension or termination options exercised.

- excluded initial direct costs from the measurement of ROU assets at 1 January 2019.

- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 January 2019.

The following table explains the differences between the operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the lease liabilities recognised in the consolidation statements of financial position as at 1 January 2019:

	Group
	S$
Operating lease commitments as at 31 December 2018, as previously disclosed (Note 29)	10,860,742
Less:	
- Recognition exemption for short-term leases (Note 24)	(136,336)
- Variable lease payment not depend on index	(2,032,858)
- Effect of discounting at weighted average incremental borrowing rate at 1 January 2019	(1,847,616)
Add:	
- Adjustment as a result of extension options	214,483
- Lease liabilities from financial institutions recognised as at 31 December 2018 (Note 13)	103,297
Lease liabilities from financial institutions and lease liabilities as at 1 January 2019 (Note 13 and 14)	7,161,712

The weighted average incremental borrowing rate applied to the lease liabilities recognised in the statements of financial position on 1 January 2019 is 3%.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

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

Descriptions	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark* Reform	1 January 2020
SFRS(I) 17 *Insurance Contracts*	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

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

Group accounting

(i) **Subsidiaries**

(a) Basis of consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 9 in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

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

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Transactions with non-controlling interests

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

Investment in subsidiaries

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

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars ("S$"), which is also the functional currency of the Company.

(ii) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (see the accounting policy for borrowing costs as set out in this Note). The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

All other items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

	Useful lives (Years)
Leasehold buildings	22 – 50
Electrical and installation	10
General tools and moulds	10
Renovation	10
Plant and machinery	4 – 15
Furniture, fittings and equipment	1 – 10
Motor vehicles	5 – 10

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within “Other income / (expenses)”.

Intangible assets

(i) Goodwill on acquisitions

Goodwill on acquisition of subsidiaries or businesses represents the excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(i) Goodwill on acquisitions (Continued)

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Certain portion of goodwill arose from a change in parent's ownership interests in a subsidiary (after control is obtained) before July 2009. The revised SFRS(I) 1-27 which was issued on 1 July 2009 did not require retrospective adjustment be made on goodwill that was recognised prior to 1 July 2009 and allowed the goodwill be stated at carrying value as of 1 July 2009.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

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

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost or acquired in a business combination are identified and recognised separately from goodwill at their fair value at the acquisition date. Intangible assets are subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

The carrying amounts of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The useful life and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognised.

The Group's finite intangible assets comprise Customer Contracts and Non-Contractual Customer relationships, which are measured at fair value less accumulated amortisation and accumulated losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful lives of 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component is initially measured at the transaction price in accordance with SFRS(I) 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets, mainly trade and other receivables, other current assets (excludes prepayments) and cash and bank balances, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

Unless designated at FVPL, a debt investment is measured at FVOCI if:

- It is held within a business model with objectives of both collecting contractual cash flows and selling financial assets; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated on effective interest rate method, foreign exchange differences and impairment are recognised in profit or loss. Other net gains and losses (including changes in fair value) are recognised in OCI. The cumulative amounts in OCI are reclassified to profit or loss upon derecognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets (Continued)

Equity investments at FVOCI

Unless held-for-trading, the Group may irrevocably elect on initial recognition, on an investment-by-investment basis, to present subsequent changes of fair value of the equity investments in OCI.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses (including changes in fair value) are recognised in OCI which will never be reclassified to profit or loss.

Financial assets at FVPL

All financial assets not at amortised cost or FVOCI as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be measured at FVPL, if doing so eliminates or significantly reduce accounting mismatch that would otherwise arise.

Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis would be mandatorily measured at FVPL.

These assets are subsequently measured at fair value. Net gains or losses, including any interest income or dividend income are recognised in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised cost and equity investments at FVOCI.

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables (excluding contract liabilities and GST payables), lease liabilities from financial institutions, lease liabilities, bank borrowings and bond payable.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(iii) Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognise a financial liabilities when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group applies impairment model in SFRS(I) 9 to measure the Expected Credit Losses (ECL) of the following categories of assets:

- Financial assets at amortised costs
- Contract assets (determined in accordance with SFRS(I) 15)
- Debt investments at FVOCI
- Intragroup financial guarantee contracts

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised costs.

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

The Group applies simplified approach to all trade receivables. Impairment loss allowance is measured at life time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument ('Life-time ECL'). The Group uses qualitative and quantitative information like geographical location, profile of customers and historical repayment trends to group debtors with similar characteristics for purposes of ECL assessment. The Group computes ECL using probability of default from external rating agency and historical loss rates, where applicable.

General approach

The Group applies general approach on all other financial instruments, and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter. In this case, the financial assets is classified as Stage 1.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those asset. Loss allowance on debt investments at FVOCI are recognised in OCI, and does not reduce the carrying amount of the financial assets.

Significant increase in credit risk (Stage 2)

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition and hence remained as Stage 1. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations

- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor's ability to meet its debt obligations

- an actual or expected significant change in the operating results of the debtors

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

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligation in full, without recourse by the Group; or

- The financial asset is more than 90 days past due.

Credit-impaired (Stage 3)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group write off the gross carrying amount of a financial assets to the extent that there is no realistic prospect of recovery, for example when the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first out method. The cost of finished goods comprises cost of raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete, slow moving and defective inventories.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities. Borrowings are initially recorded at fair value, net of transaction costs incurred and carried for at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowings Cost

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing cost are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The Group assess whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

Sub-leasing

The Company acts as intermediate lessor and sublet part of its leasehold buildings as allowed by the lessor, JTC Corporation.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

The sublease periods do not form a major part of the remaining terms under the head lease of land with JTC Corporation and accordingly, the sub-leases are classified as an operating lease.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within “Revenue – Rental income from leasehold buildings”. The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

(ii) As lessee (SFRS(I) 16, applicable on or after 1 January 2019)

At the lease commencement date, the Group recognises a Right-of-Use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and low-value leases as described below.

ROU asset

ROU assets are initially measured at cost, which comprise initial amount of lease liability, any lease payment made at or before commencement date, plus initial direct costs incurred, less lease incentives received. Initial direct costs are costs that would not have been incurred if the lease had not been obtained.

Whenever the Group incurs obligations for costs to dismantle and remove a leased asset, restore the site or the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognised and measured under SFRS(I)1-37; and included in the carrying amount of the ROU assets to the extent that the costs relate to a ROU asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) As lessee (SFRS(I) 16, applicable on or after 1 January 2019) (Continued)

ROU asset (Continued)

ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from commencement date to the earlier of end of lease terms and useful life of the ROU assets. In addition, the ROU assets are also adjusted for certain remeasurement of lease liability.

ROU assets are presented as a separate line item on the statement of financial position.

Lease liability

Lease liability is initially measured at the present value of lease payments discounted using interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate, which is estimated by reference to interests' rates from various external financing sources for similar terms such as lease terms, type of assets leases and economic environment.

The following lease payments are included in the measurement of lease liability:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liability is measured at amortised cost using effective interest method. Remeasurement of lease liability (and corresponding adjustment to ROU asset, or to profit or loss when the ROU asset has been reduced to zero) is required when there is:

- a change in future lease payments arising from changes in an index or rate, in which case the initial discount rate is used;
- a change in the Group's assessment of whether it will exercise an extension or termination option, in which case a revised discount rate is used; or
- modification in the scope or the consideration of the lease that was not part of the original term and not accounted for as separate lease, in which case a revised discount rate at effective date of modification is used.

The Group presents the lease liabilities are presented as a separate line item on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) As lessee (SFRS(I) 16, applicable on or after 1 January 2019) (Continued)

Exemption

The following leases/ lease payments are not included in lease liabilities and ROU asset:

- The Group has elected not to recognise ROU asset and lease liabilities for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For such leases, the Group recognises the lease payments in profit or loss as an operating expense on a straight-line basis over the lease term.

(iii) As lessee (SFRS(I) 1- 17, applicable prior to 1 January 2019)

Finance leases, which transfers to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

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

Financial guarantees

Financial guarantee contracts are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share capital

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

- Revenue from sale of goods is recognised upon transfer of control to the customers, usually at the point in time when the goods have been delivered to customers. The Group normally invoices the customers upon delivery of the goods with 30 to 60 days credit term.

- Revenue from rendering of service income (inventory management and warehousing) are recognised over time on a straight-line basis for contracts with fixed rate per unit of service as these represent series of repetitive services. The Group also provides transportation services within the "Supply and manufacturing of ready-mix concrete products" segment, and such service contracts provides for fixed rate per unit of service, revenue is recognised on invoiced value as it represents an amount that corresponds directly with the value to the customer of the Group's performance completed to date, as allowed by practical expedient in SFRS(I) 15.

- Revenue from the contract project (i.e. civil and associated works, such as underground cable installation and road reinstatements) is recognised over time as it creates or enhances assets controlled by the customers, by using an output method to measure progress towards complete satisfaction of the performance obligation.

Other revenue

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term as set out in the specific lease agreement.

Other income

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

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

- Parking fees and related charges are accounted for when transacted.

Government grants

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits

(i) Retirement benefits

The Group makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution retirement schemes.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

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

(iii) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Income tax

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

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantially enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

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

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

   (i) Has control or joint control over the Company;

   (ii) Has significant influence over the Company; or

   (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which in the case is the Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments.

Disposal Group Held for Sale and Discontinued Operations

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell.

The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and;

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below:

Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group's past history, existing market conditions as well as forward-looking information relating to industry, market development and macroeconomic factors. Expected loss rate is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, geographical location, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The key assumptions and inputs used are disclosed in Note 31 (iii).

(ii) Key sources of estimation uncertainty

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

(a) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the cash generating unit (CGU) to which goodwill has been allocated is based on value in use (VIU) calculation. VIU is based on cash flow forecast, the preparation of which requires management to use assumptions and estimates relating budgeted growth margin, revenue growth rate, perpetual growth rate and discount rate of each CGU. Changes to the assumptions and estimates used could result in changes in the carrying amount of the goodwill.

The carrying amount of the goodwill as at 31 December 2019 and further details on the impairment testing of goodwill including management's sensitivity analysis are disclosed in Note 6.

(b) Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the subsidiaries' financial performance and financial position and the overall economic environment.

The carrying amount of the investments in subsidiaries as at 31 December 2019 is disclosed in Note 7.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(c) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of the leasehold buildings to be within 22 to 50 years and 1 to 15 years for other assets. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised.

A 10% difference in the expected useful lives of the property, plant and equipment from management's estimates would result in approximately 6% (2018: 7%) variance in the Group's loss (2018: Group's loss) for the year.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Buildings	Electrical and Installation	General tools and Moulds	Renovation	Plant and Machinery	Furniture, Fittings and Equipment	Motor Vehicles	Total
	S$	S$	S$	S$	S$	S$	S$	S$
Cost								
As at 1 January 2018	63,000,000	8,424	96,850	89,701	131,644	7,604	1,164,323	64,498,546
Additions	–	–	–	–	35,000	11,973	217,432	264,405
Acquisition of a subsidiary (Note 7(c))	–	–	141,220	–	117,460	12,480	535,459	806,619
Disposals	–	–	–	–	–	–	(45,586)	(45,586)
Written off	–	–	(43,200)	(89,701)	–	–	–	(132,901)
As at 31 December 2018	63,000,000	8,424	194,870	–	284,104	32,057	1,871,628	65,391,083
As at 1 January 2019	63,000,000	8,424	194,870	–	284,104	32,057	1,871,628	65,391,083
Additions	–	–	2,500	–	–	7,610	–	10,110
Disposals	–	–	–	–	–	–	(271,747)	(271,747)
Written off	–	–	–	–	(168,228)	–	–	(168,228)
As at 31 December 2019	63,000,000	8,424	197,370	–	115,876	39,667	1,599,881	64,961,218

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Leasehold Buildings S$	Electrical and Installation S$	General tools and Moulds S$	Renovation S$	Plant and Machinery S$	Furniture, Fittings and Equipment S$	Motor Vehicles S$	Total S$
Less: Accumulated depreciation and impairment loss								
As at 1 January 2018	2,671,202	2,592	12,163	9,801	27,917	1,241	211,885	2,936,801
Depreciation for the year (Note 24)	2,636,166	5,832	24,251	26,950	67,120	9,460	253,746	3,023,525
Disposals	–	–	–	–	–	–	(37,853)	(37,853)
Written off	–	–	(21,600)	(36,751)	–	–	–	(58,351)
As at 31 December 2018	5,307,368	8,424	14,814	–	95,037	10,701	427,778	5,864,122
As at 1 January 2019	5,307,368	8,424	14,814	–	95,037	10,701	427,778	5,864,122
Depreciation for the year (Note 24)	2,863,144	–	61,702	–	101,948	11,656	332,750	3,371,200
Impairment loss charged (Note 24)	–	–	–	–	–	–	54,582	54,582
Disposals	–	–	–	–	–	–	(152,212)	(152,212)
Written off	–	–	–	–	(168,228)	–	–	(168,228)
As at 31 December 2019	8,170,512	8,424	76,516	–	28,757	22,357	662,898	8,969,464
Net carrying amount								
As at 31 December 2019	54,829,488	–	120,854	–	87,119	17,310	936,983	55,991,754
As at 31 December 2018	57,692,632	–	180,056	–	189,067	21,356	1,443,850	59,526,961

(a) Additions of property, plant and equipment

During the financial year, the Group acquired the additions of property, plant and equipment by means of:

	Group 2019 S$	Group 2018 S$
Cash	10,110	253,508
Lease liabilities from financial institutions	–	10,897
	10,110	264,405

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Net book value of property, plant and equipment pledged as security

At the reporting date, the net book value of property, plant and equipment pledged as security are as follows:

	Group	
	2019	**2018**
	S$	**S$**
		(Restated)
Pledged to secure banking facilities granted to the Group (Note 12)		
- Leasehold buildings	54,829,488	57,692,632
Acquisition financed by leasing from financial institution (Note 13)		
- Office equipment	11,225	19,125
- Motor vehicles	132,005	220,085
	54,972,718	57,931,842

(c) Details of the Group's leasehold buildings

As at 31 December 2019 and 31 December 2018, the Group's leasehold buildings relate to the purpose built industrial complex on the land leased from JTC Corporation (included in Right-of-use Assets in Note 4), detailed as follows:

Address	Description and Use	Remaining Tenure of Land Lease
EMS Building 60 Benoi Road Singapore 629906	Two adjoining two storey detached factories, a single-storey detached warehouse with a mezzanine level, three storey office block and two former plant house	Total lease term of 60 years commencing 1 July 1979 (i.e. unexpired term of approximately 20 years (2018: 21 years)).

The cost of the buildings includes fair value adjustment on acquisition date of a subsidiary in February 2017, and subsequently measured at cost model.

(d) Impairment losses of plant and equipment

During the financial year, impairment loss amounted S$54,582 on certain motor vehicles was recognised in the profit or loss as to reduce the carrying amount of these motor vehicles to their fair value less costs to sell.

4. RIGHT-OF-USE ASSETS

Group	Land S$	Factory S$	Plant S$	Total S$
Cost				
Adoption of SFRS(I) 16, representing balance as at 1 January 2019	6,288,766	314,664	454,985	7,058,415
Currency translation difference	–	(571)	–	(571)
As at 31 December 2019	6,288,766	314,093	454,985	7,057,844
Less: Accumulated depreciation and impairment loss				
Balance as at 1 January 2019	–	–	–	–
Charge for the year (Note 24)	306,769	60,324	188,269	555,362
Impairment loss (Note 21)	–	253,854	266,716	520,570
Currency translation difference	–	(85)	–	(85)
As at 31 December 2019	306,769	314,093	454,985	1,075,847
Net carrying amount				
As at 31 December 2019	5,981,997	–	–	5,981,997

As disclosed in Note 3, the Group leases land from JTC Corporation, on which the Group built the industrial complex included in “Property Plant and Equipment – Leasehold Buildings”, for fixed lease payments.

In addition, the Group leases its concrete pre-cast factory in Malaysia and its read-mix concrete blotching plant in Singapore from third parties with remaining lease term of 5 years and 2.5 years respectively as at 1 January 2019. Included in the lease term of the factory is 3 years extension option that the Group is reasonably certain to exercise.

Except for restriction on sub-leasing, there are no restrictions or covenants imposed by the lease contracts.

The corresponding lease liabilities is disclosed in Note 14.

Impairment loss on right-of use assets

In line with the goodwill impairment testing (Note 6), the management has performed impairment testing of the CGUs which includes the right-of-use assets for the factory and the plant. Full impairment loss on these right-of-use assets has been recognised as at 31 December 2019, amounting to S$520,570 included in ‘Other expense’ captions, relating to 2 separate segments (Note 30) as the management does not expect to achieve profitability and generate positive cashflows for these 2 segments within the remaining lease terms.

5. INTANGIBLE ASSETS

Group	Customer-related 2019 S$	Customer-related 2018 S$ (Note 7(c))
Cost		
As at 1 January	4,589,126	2,473,541
Acquisition of a subsidiary (Note 7(c))	–	2,115,585
As at 31 December	4,589,126	4,589,126
Less: Accumulated amortisation		
As at 1 January	906,965	412,257
Amortisation for the year (Note 21)	917,825	494,708
As at 31 December	1,824,790	906,965
Net carrying amount		
As at 31 December	2,764,336	3,682,161

5. INTANGIBLE ASSETS (Continued)

Customer-related intangible assets comprise of Customer Contracts ("CC") and Non-Contractual Customer Relationships ("NCCR").

CC was acquired in the Group's acquisition of business of Engineering Manufacturing Services (S) Pte. Ltd. that was completed on 20 February 2017. The remaining amortisation periods of CC as at 31 December 2019 are 25 months (2018: 37 months).

NCCR was acquired in the Group's acquisition of business of Poh Huat Heng Corporation Pte. Ltd. (Note 7(c)) that was completed on 17 December 2018. The remaining amortisation periods of NCCR as at 31 December 2019 was 48 months (2018: 60 months).

6. GOODWILL

	Group	
	2019	2018
	S$	S$
		(Note 7(c))
Cost		
Balance at 1 January	4,739,047	2,232,625
Goodwill arising on acquisition of subsidiary (Note 7(c))	–	2,506,422
Balance at 31 December	4,739,047	4,739,047
Less: Impairment losses		
Balance at 1 January	(1,108,095)	–
Impairment loss charged to profit or loss (Note 21)	(1,124,530)	(1,108,095)
Balance at 31 December	(2,232,625)	(1,108,095)
Net carrying amount	2,506,422	3,630,952

Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the respective cash generating unit (CGU) under the relevant operating segments as follows:

	Group	
	2019	2018
	S$	S$
		(Restated)
Provision of underground cable installation and road reinstatement segment		
- Poh Huat Heng Corporation Pte. Ltd. ("PHH") (Note 7(c))	2,506,422	2,506,422
Manufacturing of precast concrete products segment		
- W&P Precast Pte. Ltd. ("WPP")	*1,108,095	*1,108,095
Supply and manufacturing of ready-mix concrete products segment		
- W & P Corporation Pte Ltd ("WPC")	^1,124,530	1,124,530
	4,739,047	4,739,047

^ Fully impaired in current financial year, mainly due to continuous losses and reduced margins.

* Fully impaired in prior financial year, mainly due to the reducing trends in revenue, lack of stable customers' pool and the gross margin eroded by stiff competition.

6. GOODWILL (Continued)

Key assumptions

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections, budgeted gross margins, forecasted growth rates and the perpetual growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	PHH		WPP		WPC	
	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%
Gross margin	28.0	25.0	–	25.0	16.0	25.0
Growth rate:						
- Year 1	101.0[(1)]	2.0	–	18.0	1.0	3.0
- Year 2 to 5[(2)]	1.0	2.0	–	3.0	1.0	3.0
Perpetual growth rate	0.0	0.0	–	0.0	0.0	0.0
Discount rate	9.90	7.03	–	7.03	9.90	7.03

(1) PHH's revenue is driven by projects secured. Management estimate the revenue for 2020 based on the estimated tendered contract value of project that PHH is confident to secure from its major customer with long-term business relationship, which will be completed over the next 1-2 years.

(2) The revenue for 2021 to 2024 are projected based on long-term average growth rates of the industries and markets in which the CGUs operate.

The management believes that the level of PHH's revenue included in the 5-years budgets represents sustainable level of revenue in view of the historical track records over the last 5 years.

Gross margin is budgeted based on the historical track records for the past 4 years (2018: 3 - 4 years).

The discount rate represents the current market assessment of the risks specific to each CGU industry.

Based on the above value in calculations performed by management in relation to the CGUs of PHH (2018: PHH and WPC), the recoverable amounts of the respective CGUs were determined to be in excess of their carrying amounts.

Sensitivity analysis

FY 2019

Management has performed sensitivity analysis on the above assumptions. The value in use calculation of PHH is most sensitive to the gross margin; a 7% decrease (absolute) in gross margin would result an impairment loss of approximately S$349,000. The impact was calculated assuming that the other variables remain constant.

FY 2018

Management has performed sensitivity analysis on the above assumptions. The value in use calculation of PHH is most sensitive to the discount rate; a 2% increase (absolute) in the discount rate would result an impairment loss of approximately S$1,542,000. The value in use calculation of WPC is most sensitive to gross margin; a 3% decrease (absolute) in gross margin would result in an impairment loss of approximately $124,000. Both impacts were calculated assuming that the other variables remain constant.

7. SUBSIDIARIES

	Company 2019 S$	Company 2018 S$
Unquoted equity shares, at cost		
Balance at 1 January	36,700,002	27,700,002
Acquisitions during the year (Note (c))	–	9,000,000
Balance at 31 December	36,700,002	36,700,002
Less: Accumulated impairment loss		
Impairment loss, representing balance as at 31 December (Note (b))	(2,700,000)	–
Net carrying amount	34,000,002	36,700,002

(a) Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2019 %	Proportion (%) of ownership interest 2018 %
Held by the Company				
A2A Management Pte. Ltd. [1]	Provision of business and management consultancy services	Singapore	100	100
Engineering Manufacturing Services (S) Pte. Ltd. [1]	General warehousing and other business support activities	Singapore	100	100
W & P Corporation Pte Ltd [1]	Supply and manufacturing ready-mix concrete, precast component and related products	Singapore	100	100
W&P Precast Pte. Ltd. [1]	Supply of precast concrete products	Singapore	95	95
Julique Capital Pte. Ltd. [1]	Investment holdings	Singapore	100	100
Poh Huat Heng Corporation Pte. Ltd. [1]	Provision of underground cable installation and road reinstatement services	Singapore	100	100
Held through the subsidiaries				
Germaxco Pte. Ltd. [1]	General warehousing and other business support activities	Singapore	51	51
W & P Precast Sdn. Bhd. [2] [3]	Manufacture of precast components	Malaysia	95	95

(1) Audited by Crowe Horwath First Trust LLP, Singapore.

(2) Audited by a member of Crowe Global in Malaysia.

(3) Non-significant subsidiary of the Group. Reviewed by Crowe Horwath First Trust LLP, Singapore for group consolidation.

7. SUBSIDIARIES (Continued)

(b) Impairment testing of investment in subsidiaries

During the financial year, management performed an impairment test for the investment in W & P Corporation Pte Ltd ("WPC") and W&P Precast Pte. Ltd. ("WPP") as these subsidiaries have been persistently making losses. An aggregate of impairment loss amounting S$2,700,000 was recognised for the financial year ended 31 December 2019 to fully write down the cost of investments in these subsidiaries to their recoverable amounts. The recoverable amount of the investments in WPC and WPP have been determined on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection is 9.90% and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period on WPC and WPP are 1% and 0%, respectively.

(c) Acquisition of Poh Huat Heng Corporation Pte. Ltd. ("PHH")

On 24 September 2018, the Company announced that on the same date, the Company has entered into a conditional Sale and Purchase Agreement ("SPA") with the shareholders of PHH (the "Proposed Acquisition"), namely Ng Chuan Heng, Teo Siew Cheng, Tan Poh Guan, Tan Zhen Ying (Chen Zhenying) and Tan Jun Hao (collectively the "Vendors") to acquire the entire issued and paid-up share capital of PHH for an aggregation consideration of S$9,000,000 via the issuance of 350,000,000 new ordinary shares in the capital of the Company at an issue price of $0.02 ("Consideration Shares") and payment of S$2,000,000 in cash to the Vendors.

The Proposed Acquisition has been approved by the Shareholders at the extraordinary general meeting held on 21 November 2018. The acquisition of PHH has been completed and control has been obtained on 17 December 2018 (the "Acquisition date"). Upon the Acquisition date, PHH became a wholly-owned subsidiary of the Company in the financial year ended 31 December 2018.

<u>Restatement due to completion of acquisition accounting</u>

The initial accounting for the acquisition of the PHH in the previous financial year ended 31 December 2018 had only been provisionally determined as the acquisition occurred close to the end of the previous financial year. At the date of finalisation of the previous year's financial statements, the necessary market valuations and other calculations for the items listed below had not been finalised and they had therefore only been provisionally determined based on the management's best estimate of the likely values. No changes have been made within the one year measurement period as allowed by SFRS(I) 3 *Business combinations*.

During the year, an independent valuation has been performed by management to determine the fair value of the identifiable assets and liabilities acquired as at the date of acquisition. Using the fair values determined, management identified adjustments in relation to the following:

- Intangible assets – recognition of NCCR by S$2,115,585
- Goodwill – reduce by S$1,756,923
- Lease liabilities from financial institutions – reduce by S$1,188
- Deferred tax liabilities – increase by S$359,850

7. SUBSIDIARIES (Continued)

(c) Acquisition of Poh Huat Heng Corporation Pte. Ltd. ("PHH") (Continued)

The adjustments have been retrospectively made by restating the respective line items in the prior year financial statements in accordance to SFRS(I) 3 *Business Combinations* as disclosed below:

	Balance as reported in prior year 2018 S$	Restatement S$	As restated 2018 S$
Group			
Assets			
Intangibles (Note 5)	1,566,576	2,115,585	3,682,161
Goodwill (Note 6)	5,387,875	(1,756,923)	3,630,952
Liabilities			
Lease liabilities from financial institutions (Note 13)	104,485	(1,188)	103,297
Deferred tax liabilities (Note 15)	9,548,774	359,850	9,908,624

The adjustments did not have any impact on the Group's statement of comprehensive income or the Group's cash flows in the previous financial year as the effect of amortisation of identified intangible asset for financial year 2018 is insignificant.

In accordance with SFRS(I) 3 *Business combinations*, the Group has finalised the purchase price allocation exercise and identified the fair value of the identifiable assets and liabilities at date of acquisition, as follows: -

	Fair value recognised as at date of acquisition S$	Provisional amounts recognised in prior year S$
Carrying amounts of acquired identifiable assets acquired and liabilities assumed		
Property, plant and equipment (Note 3)	806,619	806,619
Intangible assets (Note 5)	2,115,585	–
Redeemable bond (Note 17)	1,000,000	1,000,000
Inventories	19,155	19,155
Trade and other receivables	12,629,308	12,629,308
Cash and bank balances	1,617,779	1,617,779
Total identified assets	18,188,446	16,072,861
Trade and other payables	11,318,644	11,318,644
Lease liabilities from financial institutions (Note 13)	16,374	17,562
Deferred tax liabilities (Note 15)	359,850	–
Total identified liabilities	11,694,868	11,336,206
Total identifiable net assets acquired	6,493,578	4,736,655

7. SUBSIDIARIES (Continued)

(c) Acquisition of Poh Huat Heng Corporation Pte. Ltd. ("PHH") (Continued)

	Fair value recognised as at date of acquisition S$	Provisional amounts recognised in prior year S$
Purchase consideration		
Consideration paid in cash	2,000,000	2,000,000
Issuance of shares (Note 18)	7,000,000	7,000,000
Total consideration transferred for the business combination	9,000,000	9,000,000
Less: Fair value of identifiable net assets acquired (as above)	(6,493,578)	(4,736,655)
Goodwill arising on acquisition	2,506,422	4,263,345
Effect on cash flows of the Group		
Consideration paid in cash	2,000,000	2,000,000
Cash and cash equivalents of acquired subsidiary	(1,617,779)	(1,617,779)
Net cash inflow on acquisition	382,221	382,221

Acquisition-related costs which are not material have been excluded from the consideration transferred and recognised as an expense under "administrative expenses" line item in the profit or loss of the Group in the previous financial year.

The goodwill arose from the acquisition of PHH because of the benefits of expected synergies, revenue stream growth and future market development in a new business segment. The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

The acquired business contributed insignificant amount of revenue and net profit for the period from the acquisition date to 31 December 2018.

Had the business combination been effected at 1 January 2018, the revenue of the Group from continuing operations would have been approximately S$33.8 million, and the loss for the previous financial year from continuing operations would have been decreased to approximately S$1.5 million. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

8. FINANCIAL ASSETS, AT FVOCI

	Group	
	2019	2018
	S$	S$
Balance at beginning of year	150,000	–
Reclassification at 1 January 2018 upon initial adoption of SFRS(I) 9	–	150,000
Changes in fair value recognised in OCI	(115,245)	–
Balance at end of year	34,755	150,000

At 1 January 2018 upon initial adoption of SFRS(I) 9, the Group made an irrevocable election to measure the quoted equity investments in Swee Hong Ltd at FVOCI as these are strategic investments that the Group intend to hold for long term. Accordingly, it is classified as non-current assets.

The carrying amount represents their fair values, which is measured under Level 1 of the Fair Value Hierarchy, as defined in Note 32(i).

9. INVENTORIES

	Group	
	2019	2018
	S$	S$
Raw materials	62,551	76,650
Finished goods	60,392	23,693
	122,943	100,343
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income		
- Continuing operations	8,348,217	6,658,456
- Discontinued operations	–	5,041,501

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	S$	S$	S$	S$
Trade receivables				
- third parties	4,396,561	12,339,197	–	–
Less: Allowance for impairment loss (Note 31 (iii)(a))	(305,138)	(544,925)	–	–
Trade receivables, net	4,091,423	11,794,272	–	–
Other receivables:				
- loan receivable I [(1)]	2,111,124	2,191,343	–	–
- loan receivable II [(2)]	2,438,742	2,526,290	–	–
- Due from subsidiaries [(3)]	–	–	2,231,822	2,238,122
- others	168,030	267,824	–	–
	4,717,896	4,985,457	2,231,822	2,238,122
Less: Allowance for impairment loss (Note 31(iii)(b))	(4,549,866)	(333,982)	(2,086,535)	(295,736)
Other receivables, net	168,030	4,651,475	145,287	1,942,386
Trade and other receivables	4,259,453	16,445,747	145,287	1,942,386

The credit period for trade receivables generally ranges from 30 to 60 days (2018: 30 to 60 days). No interest is charged on the trade receivables for outstanding balances.

(1) Loan receivable I, a principal amount of S$2,000,000 (2018: S$2,000,000) and the related interest receivable of S$111,124 (2018: S$191,343), was due from a third-party company (the "Borrower I"), which is a wholly owned subsidiary of a public limited company listed on the Catalist Board of the SGX-ST.

The loan bears interest at 8% (2018: 8%) per annum and is secured by floating charge over the assets of the Borrower I. Due to the subsequent disposal of business and assets of the Borrower I, it was also agreed that the Group would accept repayment in the form of new shares in the listed company at 10% (2018: 10%) discount to the market price in the event the Borrower is unable to pay the outstanding loan in cash.

The loan was due for repayment by 17 April 2019 in cash. However, the Executive Chairman and Acting Chief Executive Officer of the listed company was uncontactable since May 2019, and following statutory demands of certain creditors, the listed company is placed under judicial management on September 2019. Accordingly, the Group recognised an impairment loss of S$1,819,762 during the current financial year which represents full impairment on carrying amount (Note 31(iii)(b)).

(2) Loan receivable II, a principal amount of S$2,300,000 (2018: S$2,300,000) and the related interest receivable of S$138,742 (2018: S$226,290), due from a third-party company ("Borrower II"), which arose from the acquisition of a subsidiary, PHH, in the previous financial year ended 31 December 2018, is unsecured and bears interest at 1% (2018: 1%) per month.

The loan was due for repayment on 6 May 2019 in cash. However, the Group has not been able to contact Borrower II to date. Accordingly, the Group recognised an impairment loss of S$2,396,122 during the current financial year which represents full impairment on carrying amount (Note 31(iii)(b)).

(3) The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand in cash.

11. OTHER CURRENT ASSETS

	Group		Company	
	2019	2018	2019	2018
	S$	S$	S$	S$
Deposits	197,523	333,514	–	–
Prepayments	120,258	127,388	9,961	6,217
Others	33,220	33,220	–	–
	351,001	494,122	9,961	6,217

12. BANK BORROWINGS

Group	Current	Non-current	Total
	S$	S$	S$
2019	–	–	–
2018			
Secured:			
Term loan [(1)] [(3)]	788,774	820,405	1,609,179
Money market loan [(2)] [(3)]	3,000,000	–	3,000,000
	3,788,774	820,405	4,609,179

(1) Term loan was repayable over 60 monthly instalments commencing from October 2015. The loan is fully repaid in the current financial year.

(2) Money market loan was repayable in February 2019. The loan amount is fully repaid by in the current financial year.

(3) Term loan and Money market loan and trade financing facilities are secured by:

(i) Joint and several personal guarantees by 3 directors of a subsidiary, of whom 2 of them are also the directors of the Company;

(ii) Corporate guarantee of a subsidiary;

(iii) Legal mortgage of a subsidiary's leasehold buildings (Note 3); and

(iv) Assignment of rental proceeds/Charge over rental account to be executed of all current and future rental income from the leasehold buildings.

Loans

The loans bear the interest rate as follows:

		Group	
		2019	2018
	Interest rate (per annum)	%	%
Term loan	2.82% to 3.22% below Bank's commercial financing rate	5.92	3.49
Money market loan	Bank's cost of funds plus 1%	2.84	2.51

12. BANK BORROWINGS (Continued)

Loans (Continued)

The table below details changes in the Group's liabilities arising from financing activities:

	At 1 January S$	Cash Flow Repayments S$	At 31 December S$
2019			
Term loan	1,609,179	(1,609,179)	–
Money market loan	3,000,000	(3,000,000)	–
	4,609,179	(4,609,179)	–
2018			
Term loan	2,310,847	(701,668)	1,609,179
Money market loan	4,519,987	(1,519,987)	3,000,000
	6,830,834	(2,221,655)	4,609,179

13. LEASE LIABILITIES FROM FINANCIAL INSTITUTIONS

The Group has lease certain of its office equipment and motor vehicles from financial institutions. These are classified as lease liabilities from financial institutions and payable within 5 years. The Group's obligation under lease liabilities from financial institutions are secured by the lessors' title to the leased assets as disclosed in Note 3(b).

Future minimum lease payments under these lease liabilities from financial institutions together with the present value of the net minimum lease payments are as follows:

	2019		2018	
Group	**Minimum Lease Payments S$**	**Present Value of Minimum Lease Payments S$**	**Minimum Lease Payments S$**	**Present Value of Minimum Lease Payments S$**
			(Restated)	(Restated)
Amount payable under lease liabilities from financial institutions:				
Within one year	30,191	27,281	55,491	51,436
Between two to five years	29,957	26,757	60,147	51,861
Total minimum lease payments	60,148	54,038	115,638	103,297
Less: Future finance charges	(6,110)		(12,341)	
Present value of minimum lease payments	54,038		103,297	
Less:				
Repayable within one year included under current liabilities		27,281		51,436
Repayable within two to five years included under non-current liabilities		26,757		51,861

During the financial year ended 31 December 2019, the lease liabilities from financial institutions' weighted average effective interest rates are ranging from 2.08% to 4.50% (2018: 2.08% to 4.50%) per annum.

13. LEASE LIABILITIES FROM FINANCIAL INSTITUTIONS (Continued)

The table below details changes in the Group's liabilities arising from financing activities.

		Cash flow	Non-cash flow	
	At 1 January S$	Repayments S$	Acquisition of a subsidiary (Note 7 (c)) S$	At 31 December S$
2019				
Lease liabilities from financial institutions	103,297	(49,259)	–	54,038
2018				
Lease liabilities from financial institutions	216,451	(129,528)	16,374	103,297

14. LEASE LIABILITIES

	Group	
	2019 S$	2018 S$
Non-current liabilities	6,098,190	–
Current liabilities	491,149	–
	6,589,339	–

The total cash outflows for the year for all leases contracts amounted to S$853,531, which includes leases expenses not included in lease liabilities, as disclosed in Note 24.

The Group incurs variable lease payments to JTC Corporation for the sub-letting of its leasehold premises which is based on the actual areas sub-let. Such payments for the next financial year, not included in lease liabilities above, is estimated to be S$80,727 based on the sub-letting arrangements entered into as at 31 December 2019.

The table below details changes in the Group's liabilities arising from financing activities.

		Cash flow	Non – cash flow	
	Adoption of SFRS(I)16, as at 1 January 2019	Repayment S$	Currency translation difference S$	At 31 December 2019 S$
Lease liabilities	7,058,415	(468,505)	(571)	6,589,339

15. DEFERRED TAX LIABILITIES

Deferred tax (assets) and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	Group	
	2019 S$	2018 S$ (Restated)
Deferred tax liabilities	9,543,907	10,185,563
Deferred tax assets	(160,594)	(276,939)
	9,383,313	9,908,624

15. DEFERRED TAX LIABILITIES (Continued)

The movements in the deferred tax liabilities and (assets) are as follows:

	Group	
	2019	2018
	S$	S$
Deferred tax liabilities		(Restated)
- Fair value adjustments on business combination:		
As at 1 January	10,185,563	10,631,741
Credited to profit or loss	(641,656)	(806,028)
Acquisition of a subsidiary (Note 7(c))	–	359,850
As at 31 December	9,543,907	10,185,563
Deferred tax assets		
- Provisions:		
As at 1 January	(276,939)	–
Credited to profit or loss	116,345	(276,939)
As at 31 December	(160,594)	(276,939)

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	S$	S$	S$	S$
Trade payables				
- third parties [1]	2,701,496	5,608,655	–	–
Other payables:				
- accrued operating expenses	813,764	767,243	429,299	267,258
- contract liabilities [2]	120,794	121,549	–	–
- due to subsidiaries [3]	–	–	11,617,051	11,000,001
- due to a former shareholder of its subsidiary [4]	700,000	1,200,000	–	–
- deposits received [5]	1,034,246	1,023,911	–	–
- other deposits [6]	757,962	757,963	–	–
- sundry creditors	161,606	272,819	161,606	189,958
- GST payables	245,869	509,383	–	–
	3,834,241	4,652,868	12,207,956	11,457,217
Trade and other payables	6,535,737	10,261,523	12,207,956	11,457,217
Presented as:				
Current	6,064,806	9,613,163	12,207,956	11,457,217
Non-current – deposits received[5] (other liabilities)	470,931	648,360	–	–
	6,535,737	10,261,523	12,207,956	11,457,217

16. TRADE AND OTHER PAYABLES (Continued)

(1) The credit period for trade payables generally ranges from 30 to 90 days (2018: 30 to 90 days). No interest is charged on the trade payables for outstanding balances.

(2) Contract liabilities represent advances from customers.

(3) The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand in cash. Included is an amount of S$11,000,000 (2018: S$11,000,000) pertaining to the novation of amount due from former shareholder of its subsidiary, EMS, as part of the consideration of the acquisition by the Group in the previous financial years.

(4) The amount is non-trade in nature, unsecured, interest-free and repayable on demand in cash.

(5) The deposits received pertain to security deposits received from customers from the leasing and service income segment.

(6) The other deposits pertain to deposits placed by potential buyers for the purchase of the Group's financial assets at FVOCI (Note 8). The transaction was made prior to the Group's acquisition of business of Engineering Manufacturing Services (S) Pte. Ltd. in the previous financial year ended 31 December 2017. The Group currently intends to re-negotiate or return the deposits to the potential buyers, since there were no sale and purchase agreements signed for the transaction at the time the deposits were placed by these potential buyers. However, the Group has not been able to contact the potential buyers to date. At the date of these financial statements, the foregoing matter remains status quo.

The table below details changes in the Group's liabilities arising from financing activities.

	At 1 January S$	Repayments S$	At 31 December S$
2019			
Due to a former shareholder of its subsidiary	1,200,000	(500,000)	700,000

17. BOND PAYABLE

	Group		Company	
	2019 S$	2018 S$	2019 S$	2018 S$
As at 1 January	–	7,000,000	1,000,000	7,000,000
Redeemed	–	(6,000,000)	–	(6,000,000)
Elimination in consolidation	–	(1,000,000)	–	–
As at 31 December	–	–	1,000,000	1,000,000
Presented as:				
Non-current	–	–	–	1,000,000
Current	–	–	1,000,000	–
	–	–	1,000,000	1,000,000

The bond payable is due to Poh Huat Heng Corporation Pte. Ltd. ("PHH") as the vendor of Engineering Manufacturing Services (S) Pte. Ltd., which is transferable, has zero coupon and redeemable anytime at the discretion of the Company within 3 years from the date of issuance; i.e. by 20 February 2020. Upon the completion of the acquisition of PHH in 17 December 2018 (Note 7), PHH became a wholly-owned subsidiary of the Group as at 31 December 2018.

During the financial year, the Company has reclassified the Bond from non-current to current liabilities as the due date for Company to redeem the remaining bond fall within the next 12 months from the reporting date (2018: Classified as a non-current liabilities as at 31 December 2018 as the Company has no intention to redeem the remaining bond within the next 12 months from the 31 December 2018).

18. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares	S$	Number of ordinary shares	S$
Issued and fully paid				
At beginning of the year	1,780,854,461	35,225,321	1,423,018,461	28,131,289
Warrants subscription	6,100	73	7,836,000	94,032
Issuance of acquisition of PHH (Note 7 (c))	–	–	350,000,000	7,000,000
At end of the year	1,780,860,561	35,225,394	1,780,854,461	35,225,321

In the current financial year, 6,100 new ordinary shares (2018: 7,836,000 new ordinary shares) are allotted and issued as a result of the exercise of 6,100 Warrants (2018: 7,836,000 Warrants) at the exercise price of S$0.012 (2018: S$0.012) for each ordinary share.

The Warrants have expired on 20 December 2019, accordingly there are no outstanding Warrants as at reporting date (2018: 680,945,760 Warrants outstanding).

Share issuance-related costs which are not material have been recognised as an expense in the profit or loss of the Group in the current and previous financial years.

The newly issued shares rank pari passu in all respects with previously issued shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

19. RESERVES

The movements in the Group's reserves are presented in the consolidated statement of changes in equity.

(a) The Group's merger reserve represents the difference between the nominal value of the shares of the subsidiary acquired pursuant to the group restructuring prior to the Company's initial public offering over the nominal value of the Company's shares issued in exchange thereof.

(b) The Group's translation reserve represents exchange differences arising from the translation of the financial statements of the group entities whose functional currencies are different from that of the Group's presentation currency.

(c) The Group's fair value reserve arises from net changes in the fair value of financial assets at FVOCI. Reserve relating to equity investment designated to be measured at FVOCI will be transferred to retained earnings upon the disposal of the investment.

19. RESERVES (Continued)

The movements in the Company's reserves are as follows:

	Company 2019 S$	Company 2018 S$
Accumulated losses		
At beginning of the year	(8,953,069)	(9,440,753)
Adjustments on transition to SFRS(I) 9	–	(244,612)
(Loss) / Profit for the year	(5,235,549)	732,296
At end of the year	(14,188,618)	(8,953,069)

20. REVENUE

	Group 2019 S$	Group 2018 S$
Revenue from contracts with customers (Note (a))	20,322,923	15,525,850
Rental income from leasehold buildings	3,576,976	4,067,858
	23,899,899	19,593,708

(a) *Disaggregation of revenue*

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services and geographical location based on location of customers.

	Group		
	At a point in time S$	Over time S$	Total S$
By type of goods and services and timing of revenue recognition			
2019			
Leasing and service income:			
- Service income	–	4,426,185	4,426,185
Manufacturing of precast concrete products:			
- Sale of goods	3,065,591	–	3,065,591
Supply and manufacturing of ready-mix concrete products:			
- Sale of goods	8,684,510	–	8,684,510
- Service income	–	87,496	87,496
Provision of underground cable installation and road reinstatements services:			
- Contract income	–	4,059,141	4,059,141
	11,750,101	8,572,822	20,322,923

20. REVENUE (Continued)

(a) Disaggregation of revenue (Continued)

	Group		
	At a point in time S$	Over time S$	Total S$
By type of goods and services and timing of revenue recognition			
2018			
Leasing and service income:			
- Service income	–	4,922,888	4,922,888
Manufacturing of precast concrete products:			
- Sale of goods	2,943,691	–	2,943,691
Supply and manufacturing of ready-mix concrete products:			
- Sale of goods	7,439,329	–	7,439,329
- Service income	–	219,942	219,942
	10,383,020	5,142,830	15,525,850

	Group	
	2019 S$	2018 S$
Geographical markets		
Singapore	20,322,923	15,517,965
Malaysia	–	7,885
	20,322,923	15,525,850

Revenue recognised during the financial year ended 31 December 2019 and 31 December 2018 in relation to contract liability balance at the beginning of the financial year was S$121,539 (2018: S$ Nil).

21. OTHER INCOME / (EXPENSES)

	Group	
	2019 S$	2018 S$
Other income comprises of:		
- Government grants received	78,032	–
- Gain on disposal of property, plant and equipment	–	47
- Insurance claims received	90,857	–
- Parking fees and related charges	80,806	74,582
- Miscellaneous income	157,782	85,748
	407,477	160,377
Other expenses comprise of:		
- Impairment loss on goodwill (Note 6)	(1,124,530)	(1,108,095)
- Impairment loss on right-of-use assets (Note 4)	(520,570)	–
- Loss on disposal of property, plant and equipment	(67,503)	–
- Amortisation of intangible assets (Note 5)	(917,825)	(494,708)
- Others	(7,044)	(10,593)
	(2,637,472)	(1,613,396)

22. FINANCE INCOME

	Group	
	2019	2018
	S$	S$
Interest income using effective interest rate method:		
– Loans receivable I	79,794	159,562
– Loans receivable II	96,453	–
– Loans receivable from a subsidiary	–	382,355
	176,247	541,917

23. FINANCE COSTS

	Group	
	2019	2018
	S$	S$
Interest expense:		
- Lease liabilities from financial institutions	6,233	13,616
- Bank borrowings	128,611	328,795
- Interest on lease liabilities	199,431	–
	334,275	342,411
Bank charges	2,247	–
	336,522	342,411

24. LOSS BEFORE TAX

This is determined after charging / (crediting) the following:

	Group	
	2019	2018
	S$	S$
<u>Continuing operations</u>		
Auditors' remuneration paid/payable to:		
- auditor of the Company	90,000	75,000
- other auditors	3,293	3,343
Depreciation of property, plant and equipment (Note 3)	3,371,200	3,023,525
Depreciation of right-of-use assets (Note 4)	555,362	–
Property, plant and equipment written off	–	74,550
Impairment loss on property, plant and equipment (Note 3)	54,582	–
Impairment loss on financial assets:		
- other receivables (Note 31 (iii)(b))	4,215,884	50,233
Reversal of impairment loss on financial assets:		
- trade receivables (Note 31 (iii)(a))	(239,787)	(146,125)
Provision / (Write-back) of impairment loss on financial assets, net	3,976,097	(95,892)
Rental expenses – operating lease	–	572,283
Lease expenses not included in lease liabilities:		
- Short term lease	136,336	–
- Variable lease payments not depend on index	96,689	–
Personnel expenses (Note 25)	5,773,935	2,861,725
<u>Discontinued operations</u>		
Depreciation of property, plant and equipment	–	272,567
Personnel expenses (Note 25)	–	552,354

25. PERSONNEL EXPENSES

	Group 2019 S$	Group 2018 S$
Continuing operations		
Directors of the Company:		
- Directors' fees	330,645	247,100
Directors of the subsidiaries:		
- Directors' remuneration and related costs	1,702,526	563,732
- Severance pay	90,000	–
- Defined contributions plan expenses	67,160	55,140
Total key management personnel remuneration	2,190,331	865,972
Other personnel:		
Continuing operations		
- Salaries and related costs	3,383,719	1,840,459
- Defined contributions plan expenses	199,885	155,294
	3,583,604	1,995,753
Discontinued operations		
- Salaries and related costs	–	439,468
- Defined contributions plan expenses	–	112,886
	–	552,354
	5,773,935	3,414,079
Total personnel expenses comprise:		
Continuing operations		
- Short term employee benefits	5,416,890	2,651,291
- Defined contributions plan expenses	267,045	210,434
- Termination benefits	90,000	–
	5,773,935	2,861,725
Discontinued operations		
- Short term employee benefits	–	439,468
- Defined contributions plan expenses	–	112,886
	–	552,354
	5,773,935	3,414,079

Total key management personnel remuneration included as above include:

	Group 2019 S$	Group 2018 S$
Short term employee benefits	2,033,171	810,832
Defined contributions plan expenses	67,160	55,140
Termination benefits	90,000	–
	2,190,331	865,972

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and respective subsidiaries, including all directors of the Company and respective subsidiaries.

26. INCOME TAX (CREDIT) / EXPENSE

	Group	
	2019	2018
	S$	S$
Income tax		
- Current	853,242	914,208
- (Over) / Under provision in prior years	(287,195)	128,585
	566,047	1,042,793
Deferred tax		
- Origination and reversal of temporary differences (Note 15)	(525,311)	(1,082,967)
	40,736	(40,174)

The income tax on the loss before income tax varies from the amount of income tax determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following:

	Group	
	2019	2018
	S$	S$
Loss before income tax	(5,888,258)	(1,731,888)
Income tax calculated at applicable tax rates	(1,001,004)	(294,421)
Non-deductible expenses	764,111	864,971
Income not subject to tax	(3,679)	(789,147)
Tax exemption	(40,322)	(37,818)
Singapore statutory stepped exemption	–	(209)
Deferred tax assets not recognised	608,825	364,804
(Over) / Under provision of current income tax in prior years	(287,195)	128,585
Impact arising from adoption of SFRS(I) 9	–	(276,939)
	40,736	(40,174)

The corporate income tax applicable to the Company and other entities of the Group, which are mostly incorporated in Singapore, is 17% (2018: 17%).

Deferred tax assets are recognised for unutilised tax losses and other deductible temporary differences carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2019, the Group has unutilised tax losses and other deductible temporary differences of approximately S$4,461,764 (2018:S$2,171,126) and S$2,278,600 (2018: S$1,184,563) respectively which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. The unutilised tax losses and other deductible temporary differences have no expiry dates.

The deferred tax assets arising from these unutilised tax losses and other deductible temporary differences of approximately S$1,201,000 (2018: S$592,000) have not been recognised due to the uncertainty of its recoverability in foreseeable future.

27. DISCONTINUED OPERATIONS

Allied Advantage Sdn. Bhd. ("AASB") and its subsidiary (collectively the "AA Malaysia Group")

On 28 August 2017, the Group entered into a conditional sale and purchase agreement for the sale of the entire share capital of AA Malaysia Group, which represent the manufacturing of speaker parts operating segment of the Group, for a total consideration of S$7,535,551, the details of which are in the Company's announcement dated 28 August 2017. As at 31 December 2017, the Group has allocated the foregoing estimated loss to the plant and equipment of AA Malaysia. The transaction was completed on 31 January 2018, the date the control of the AA Malaysia Group was passed to the acquirer and accordingly the Group has deconsolidated the AA Malaysia Group from that date.

Toko Construction Pte Ltd ("Toko")

On 6 October 2017, the Group entered into a conditional sale and purchase agreement for the sale of the entire share capital of Toko, which represent the construction activities operating segment of the Group, for a total consideration of S$739,816, the details of which are in the Company's announcement dated 6 October 2017. The transaction was completed on 21 February 2018, the date the control of Toko was passed to the acquirer and accordingly the Group has deconsolidated the Toko from that date.

(a) The results from the disposal of AA Malaysia Group and Toko from 1 January 2018 and up to the disposal are presented separately on the consolidated statement of comprehensive income as discontinued operation as follows:

Group	Manufacturing of speaker parts segment	Construction activities segment	Total
	S$	S$	S$
2018			
Loss for the year from discontinued operations			
Revenue	2,873,145	480	2,873,625
Cost of sales	(6,478,213)	–	(6,478,213)
Gross (loss) / profit	(3,605,068)	480	(3,604,588)
Other income	104,325	3,680	108,005
Administrative expenses	(243,676)	–	(243,676)
Other operating expenses	(85,460)	(45,759)	(131,219)
Finance costs	(87,722)	–	(87,722)
Loss before income tax	(3,917,601)	(41,599)	(3,959,200)
Income tax	–	–	–
Loss for the year attributable to equity holders of the Company from discontinued operations	(3,917,601)	(41,599)	(3,959,200)
(Loss) / Gain on disposal of subsidiaries	(558,710)	505,614	(53,096)
	(4,476,311)	464,015	(4,012,296)
Cash flows from discontinued operations			
Net cash inflow / (outflow) from operating activities	219,252	(1,706)	217,546
Net cash outflow from investing activities	(116,791)	–	(116,791)
Net cash outflow from financing activities	(324,343)	–	(324,343)
Net cash outflow from discontinued operations	(221,882)	(1,706)	(223,588)

27. DISCONTINUED OPERATIONS (Continued)

(b) Net assets of the AA Malaysia Group and Toko as at the dates on which control were lost were as follows:

Group	AA Malaysia Group S$	Toko S$	Total S$
At 31 January 2018 / 21 February 2018			
Assets:			
Property, plant and equipment	12,000,158	1	12,000,159
Prepaid land leases	421,863	–	421,863
Trade and other receivables	6,990,450	8,851	6,999,301
Goodwill	–	685,258	685,258
Cash and bank balances	936,658	(7,909)	928,749
Total assets	20,349,129	686,201	21,035,330
Liabilities:			
Deferred tax liabilities	1,596,645	–	1,596,645
Borrowings	5,371,763	–	5,371,763
Hire purchase creditors	3,674,385	–	3,674,385
Trade and other payables	5,806,856	451,999	6,258,855
Total liabilities	16,449,649	451,999	16,901,648
Net assets disposed of	3,899,480	234,202	4,133,682
The aggregate cash inflow arising from disposal were:			
Net assets disposed of (as above)	3,899,480	234,202	4,133,682
Reclassification of foreign currency translation reserves	4,194,781	–	4,194,781
	8,094,261	234,202	8,328,463
(Loss) / Gain on disposal of subsidiaries	(558,710)	505,614	(53,096)
Total cash proceed from disposal	7,535,551	739,816	8,275,367
Less: Cash and bank balances disposed of in the disposal subsidiaries	(936,658)	7,909	(928,749)
Net cash inflow on disposal	6,598,893	747,725	7,346,618

28. LOSS PER SHARE

(i) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The loss and weighted number of ordinary shares used in the calculation of basic loss per share are as follows:

	Group	
	2019	**2018**
	S$	**S$**
Loss for the year attributable to equity holders of the Company	(5,902,357)	(5,670,483)
Loss used in the calculation of basic loss per share	(5,902,357)	(5,670,483)
Loss used in the calculation of basic loss per share from continuing operations	(5,902,357)	(1,658,187)
Loss for the year from discontinued operations used in the calculation of basic loss per share from discontinued operations	–	(4,012,296)

(ii) Diluted loss per share

For the purpose of calculating diluted loss per share, the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares that could have been issued upon the exercise of all dilutive warrants.

For warrants, the weighted average number of shares on issue has been adjusted as if all dilutive warrants were exercised. The number of shares that could have been issued upon the exercise of all dilutive warrants less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net loss.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding. There are no outstanding warrants as at 31 December 2019.

The loss used in the calculation of diluted loss per share are as follows:

	Group	
	2019	**2018**
	S$	**S$**
Loss used in the calculation of diluted loss per share	(5,902,357)	(5,670,483)
Loss used in the calculation of diluted loss per share from continuing operations	(5,902,357)	(1,658,187)
Loss for the year from discontinued operations used in the calculation of diluted loss per share from discontinued operations	–	(4,012,296)

28. LOSS PER SHARE (Continued)

(ii) **Diluted loss per share (Continued)**

The weighted average number of ordinary shares for the purpose of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	Group	
	2019	**2018**
Weighted average number of ordinary shares used in the calculation of basic loss per share	1,780,854,645	2,341,295,179
Effects of dilutive potential ordinary shares:		
- Warrants	45,032,921	367,814,672
	1,825,887,566	2,709,109,851

29. COMMITMENTS

The Group as lessor

The Group sub leases out its leasehold building under operating leases. At reporting date, the undiscounted lease payments to be received after the reporting date are as follows:

	Group	
	2019	**2018**
	S$	**S$**
Within 1 year	3,099,130	4,009,780
Within 2 to 5 years	1,688,650	2,107,860
	4,787,780	6,117,640

The Group as lessee (SFRS(I) 1-17)

At 31 December 2018, the future minimum lease payments under the non-cancellable operating lease are as follows:

	Group
	2018
	S$
Within 1 year	904,925
Within 2 to 5 years	2,341,042
After 5 years	7,614,775
	10,860,742

Other commitments

The Company has given an undertaking to continue to provide financial support to certain subsidiaries for the next twelve months from the reporting date of their financial statements.

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products as the Group's risks and rates of return are affected predominantly by differences in the products produced. Each reportable segments represent a strategic business unit and management monitors the segment results (gross profit) of these business units separately for the purpose of making decisions in relation to resource allocation and performance assessment. The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 2.

At the reporting date, the Group is primarily engaged in four business segments namely, leasing and service income*, manufacturing of precast concrete product, supply and manufacturing of ready-mix concrete products and provision of underground cable installation and road reinstatement. Other segments include investment holding companies which does not meet any of the quantitative threshold for determining reportable segments in 2019 and 2018 and includes unallocated items.

* These pertains to rental income from leasehold buildings and providing inventory management, warehousing and storage services.

	Continuing operations					
Group	Leasing and service income	Manufacturing of precast concrete products	Supply and manufacturing of ready-mix concrete products	Provision of underground cable installation and road reinstatement	Others	Total
	S$	S$	S$	S$	S$	S$
2019						
Revenue						
- Sale of goods	–	3,677,154	8,849,198	–	–	12,526,352
- Service income	4,653,040	–	87,496	–	–	4,740,536
- Rental income	4,488,046	–	–	–	–	4,488,046
- Contract income	–	–	–	4,089,557	–	4,089,557
- Inter-segment sales	(1,137,925)	(611,563)	(164,688)	(30,416)	–	(1,944,592)
Sales to external parties	8,003,161	3,065,591	8,772,006	4,059,141	–	23,899,899
Segment results (Gross profit)	3,220,933	1,059,889	1,703,030	3,025,060	–	9,008,912
Allocated operating income / (expenses) – net	(1,762,178)	(1,121,437)	(3,024,544)	(6,122,446)	(2,706,290)	(14,736,895)
Finance income	13	–	–	96,453	79,781	176,247
Finance costs	(285,961)	(24,813)	(24,988)	(650)	(110)	(336,522)
Profit / (Loss) before income tax	1,172,807	(86,361)	(1,346,502)	(3,001,583)	(2,626,619)	(5,888,258)
Income tax	(103,025)	5,399	–	71,930	(15,040)	(40,736)
Profit / (Loss) for the year	1,069,782	(80,962)	(1,346,502)	(2,929,653)	(2,641,659)	(5,928,994)
Segment assets	68,231,699	1,372,551	1,901,666	7,037,682	112,478	78,656,076
Segment liabilities	18,775,371	644,782	2,457,658	1,653,499	603,258	24,134,568
Other information:						
(Provision)/ Write-back of impairment loss on financial assets, net	(118,019)	(19,377)	33,748	(2,052,688)	(1,819,761)	(3,976,097)
Depreciation of property, plant and equipment	2,889,773	75,852	175,013	230,429	133	3,371,200
Depreciate of right-of-use assets	306,769	60,324	188,269	–	–	555,362
Amortisation of intangible assets	494,708	–	–	423,117	–	917,825
Impairment loss on goodwill	–	–	1,124,530	–	–	1,124,530
Impairment loss on right-of-use assets	–	253,854	266,716	–	–	520,570

30. SEGMENT INFORMATION (Continued)

Group	Continuing operations					Discontinued operations		
	Leasing and service income	Manufacturing of precast concrete products	Supply and manufacturing of ready-mix concrete products	Others	Total	Manufacturing of speaker parts	Construction activities	Total
	S$	S$	S$	S$	S$	S$	S$	S$
2018								
Revenue								
- Sale of goods	–	3,205,112	7,439,329	–	10,644,441	2,873,145	–	2,873,145
- Service income	4,922,888	–	219,942	–	5,142,830	–	480	480
- Rental income	4,975,319	–	–	–	4,975,319	–	–	–
- Inter-segment sales	(907,461)	(261,421)	–	–	(1,168,882)	–	–	–
Sales to external parties	8,990,746	2,943,691	7,659,271	–	19,593,708	2,873,145	480	2,873,625
Segment results (Gross profit)	3,898,886	169,649	1,443,867	–	5,512,402	(3,605,068)	480	(3,604,588)
Allocated operating income / (expenses) – net	(1,451,561)	(2,093,393)	(1,871,937)	(2,026,905)	(7,443,796)	(224,811)	(42,079)	(266,890)
Finance income	382,355	–	–	159,562	541,917	–	–	–
Finance costs	(328,794)	(5,933)	(7,684)	–	(342,411)	(87,722)	–	(87,722)
Profit / (Loss) before income tax	2,500,886	(1,929,677)	(435,754)	(1,867,343)	(1,731,888)	(3,917,601)	(41,599)	(3,959,200)
Income tax	44,076	(1,039)	–	(2,863)	40,174	–	–	–
Profit / (Loss) for the year	2,544,962	(1,930,716)	(435,754)	(1,870,206)	(1,691,714)	(3,917,601)	(41,599)	(3,959,200)

Provision of underground cable installation and road restatement segment contributed insignificant amount of revenue and net profit for the period from the acquisition date i.e. 17 December 2018 (Note 7 (c)) to 31 December 2018.

Group	Continuing operations						Discontinued operations		
	Leasing and service income	Manufacturing of precast concrete products	Supply and manufacturing of ready-mix concrete products	Provision of underground cable installation and road reinstatement	Others	Total	Manufacturing of speaker parts	Construction activities	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$
2018									
Segment assets	61,705,645	972,902	3,154,276	19,320,055	1,992,932	87,145,810	20,349,129	686,201	21,035,330
Segment liabilities	17,959,474	472,180	2,874,490	4,808,451	466,450	26,581,045	16,449,649	451,999	16,901,648
Other information:									
(Provision)/ Write-back of impairment loss on financial assets, net	(110,389)	(19,018)	(16,718)	–	50,233	(95,892)	–	–	–
Depreciation of property, plant and equipment	2,661,021	116,138	245,836	–	530	3,023,525	267,535	5,032	272,567
Amortisation of intangible assets	494,708	–	–	–	–	494,708	–	–	–
Impairment loss on goodwil	–	1,108,095	–	–	–	1,108,095	–	–	–

30. SEGMENT INFORMATION (Continued)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets are as follows:

	Revenue		Non-current assets	
	2019	**2018**	**2019**	**2018**
	S$	**S$**	**S$**	**S$**
				(Restated)
Singapore	23,899,899	19,585,823	67,244,509	66,840,074
Malaysia	–	7,885	–	–
	23,899,899	19,593,708	67,244,509	66,840,074

Non-current assets presented above include property, plant and equipment, right-of-use assets, goodwill and intangible assets based on the location of the assets.

Information about major customers

2019

Revenue of S$4,433,731, or 19% of the Group's revenue is derived from a single customer in Singapore which is operating as communications and powerline construction sub-contractor, which is attributable to the following segments:

	S$
Leasing and service income	496,893
Manufacturing of precast concrete products	340,450
Provision of underground cable installation	3,549,353
Supply and manufacturing of ready-mix concrete products	47,035
	4,433,731

None of the other customers contributed to more than 10% of the Group's total revenue.

2018

There was no single individual customer, which contributed significantly to the Group's revenue.

31. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of market risk (including currency risk, interest rate risk and equity price risk), liquidity risk and credit risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight on the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes of the management of these risks.

31. FINANCIAL INSTRUMENTS (Continued)

(i) Market risk

(a) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the opinion of the management, the Group and the Company are not subject to significant currency risk arising from fluctuation in foreign exchange rates.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. As at 31 December 2019, the only interest bearing financial instruments are lease liabilities from financial institutions and lease liabilities which are at fixed rate. In the opinion of the management, the Group and the Company are not subject to significant interest rate risk arising from fluctuation in the interest rates.

(c) Equity price risk

In the opinion of the management, the Group is not subject to significant equity price risk arising from its investment in quoted equity securities which are classified as financial assets, at FVOCI. These equity securities are listed in Singapore. Further details of these equity investments can be found in Note 8.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

Group	Carrying amount S$	Contractual cash flows Total S$	Within 1 year S$	Between 2 to 5 years S$	Over 5 years S$
2019					
Lease liabilities from financial institutions	54,038	60,148	30,191	29,957	–
Lease liabilities	6,589,339	8,237,419	667,930	1,883,865	5,685,624
Trade and other payables	6,169,074	6,169,074	5,698,143	470,931	–
	12,812,451	14,466,641	6,396,264	2,384,753	5,685,624
2018					
Bank borrowings	4,609,179	7,117,984	5,406,360	1,711,624	–
Lease liabilities from financial institutions	103,297	115,638	55,491	60,147	–
Trade and other payables	9,630,591	9,630,591	8,982,231	648,360	–
	14,343,067	16,864,213	14,444,082	2,420,131	–

31. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by management.

As at 31 December 2019, the carrying amounts of trade and other receivables, other current assets (excludes prepayments) and cash and bank balances, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers and borrowers of loan receivables to make payments when due. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's trade receivables are non-interest bearing and are generally on 30 - 60 days (2018: 30 - 60 days) credit terms.

Other than disclosed below, there are no credit risk concentration included in the Group's and the Company's financial assets.

Expected Credit Losses

The Group manages credit loss based on Expected Credit Losses (ECL) model. The Group and Company uses a similar approach for assessment of ECLs for its other financial assets to those used for trade receivables

(a) Trade receivables

The Group's exposure to credit risk from trade receivables are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the industry or country brought about by the general economic condition.

The shared risk characteristics of the trade receivables are the industries in which they are operating. When estimating the ECL, the Group takes into accounts the average credit losses of the industries with input of probability of default from external rating agency, the ageing profile, customary industry practice, payment patterns and historical loss rates. The analysis of the Group's credit risk exposure of the trade receivables by segments are as disclosed below:

Group	2019 Gross carrying amount S$	 ECL allowance S$	 Net carrying amount S$
Exposure by segment			
- Leasing and service income [1]	998,190	153,455	844,735
- Manufacturing of precast concrete products [2]	1,076,072	39,959	1,036,113
- Supply and manufacturing of ready-mix concrete products [2]	1,315,937	52,702	1,263,235
- Provision of underground cable installation and road reinstatement [3]	1,006,362	59,022	947,340
	4,396,561	305,138	4,091,423

31. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(a) Trade receivables (Continued)

Group	Gross carrying amount S$	2018 ECL allowance S$	Net carrying amount S$
Exposure by segment			
- Leasing and service income [(1)]	843,327	35,435	807,892
- Manufacturing of precast concrete products [(2)]	487,195	20,582	466,613
- Supply and manufacturing of ready-mix concrete products [(2)]	1,340,339	86,450	1,253,889
- Provision of underground cable installation and road reinstatement [(3)]	9,668,336	402,458	9,265,878
	12,339,197	544,925	11,794,272

(1) Customers are dispersed in various industries, and the management believes that no allowance for impairment beyond the allowance above is necessary as the balances relate mainly to tenants that have a good record with the Group or have sufficient security deposits as collateral.

(2) Subsidiaries in these 2 segments mainly supplies to large customers base operating in construction material supplies industry, out of which a net amount of approximately S$300,000 (2018:S$ 250,000) is owing from a single customer.

(3) This segment deals with a few customers engaging in construction engineering, out of which an amount of approximately S$800,000 (2018: S$8,400,000) is owing from a single customer.

The movement of the life-time ECL on trade receivables is as follows:

Group	Collective impairment – Not credit impaired S$	Individual impairment – Credit impaired S$	Total S$
2019			
Balance at beginning of the year	484,611	60,314	544,925
ECL allowance write back during the year	(372,181)	–	(372,181)
ECL allowance recognised during the year	–	132,394	132,394
Transfer to credit impaired	(40,229)	40,229	–
Balance at end of the year (Note 10)	72,201	232,937	305,138
2018			
Balance at beginning of the year	144,678	143,914	288,592
ECL allowance write back during the year	(62,525)	(83,600)	(146,125)
ECL arising from acquisition of a subsidiary	402,458	–	402,458
Balance at end of the year (Note 10)	484,611	60,314	544,925

31. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(b) Other receivables, including amount due from subsidiaries

The credit risk exposure from other receivables of the Group and Company are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	S$	**S$**	**S$**	**S$**
Other receivables:				
- loan receivable I	2,111,124	2,191,343	–	–
- loan receivable II	2,438,742	2,526,290	–	–
- due from subsidiaries	–	–	2,231,822	2,238,122
- others	168,030	267,824	–	–
Total Gross carrying amount	4,717,896	4,985,457	2,231,822	2,238,122
ECL allowance	(4,549,866)	(333,982)	(2,086,535)	(295,736)
Carrying amount	168,030	4,651,475	145,287	1,942,386

General 3-stages approach is applied in the ECL assessment of the above financial assets.

The movement of the life-time ECL on other receivables are as follows:

Group	12 months ECL	Lifetime ECL (Not credit -impaired)	Lifetime ECL (Credit -impaired)	Total
	S$	**S$**	**S$**	**S$**
2019				
Balance at beginning of the year	42,620	291,362	–	333,982
Impairment loss recognised during the year	–	–	4,215,884	4,215,884
Transfer to credit-impaired	(42,620)	(291,362)	333,982	–
Balance at end of the year	–	–	4,549,866	4,549,866

Group	12 months ECL	Lifetime ECL (Not credit -impaired)	Lifetime ECL (Credit -impaired)	Total
	S$	**S$**	**S$**	**S$**
2018				
Balance at beginning of the year	–	241,129	–	241,129
Impairment loss recognised during the year	–	50,233	–	50,233
ECL arising from acquisition of a subsidiary	42,620	–	–	42,620
Balance at end of the year	42,620	291,362	–	333,982

31. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(b) Other receivables, including amount due from subsidiaries (Continued)

The movement of the life-time ECL on other receivables are as follows (Continued):

Company	12 months ECL	Lifetime ECL (Not credit -impaired)	Lifetime ECL (Credit -impaired)	Total
	S$	S$	S$	S$
2019				
Balance at beginning of the year	–	244,612	51,124	295,736
Impairment loss recognised during the year	–	–	1,790,798	1,790,798
Transfer to credit-impaired	–	(244,612)	244,612	–
Balance at end of the year	–	–	2,086,534	2,086,534

Company	12 months ECL	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	Total
	S$	S$	S$	S$
2018				
Balance at beginning of the year	–	244,612	–	244,612
Impairment loss recognised during the year	–	–	51,124	51,124
Balance at end of the year	–	244,612	51,124	295,736

Group

2019

The Group assessed and determined loan receivable I and II to be credit-impaired, as there is observable data to conclude that the borrowers are unlikely to pay its credit obligation due to the following events:

- Breach of contract and default of payments when due;
- the borrower of loan receivable I has been placed under Judicial Management; and
- the disappearance of borrower of the loan receivable II.

Further details can be found in Note 10.

31. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit risk (Continued)

Expected Credit Losses (Continued)

(b) Other receivables, including amount due from subsidiaries (Continued)

<u>2018</u>

The ECL allowance of the Group on the loan receivables is made based on probability-weighted outcome, estimated by the management, with input from probability of default from external credit agency, taking into account the credit enhancement, if any.

The Group has determined that

- the life-time ECL for loan receivable I are made under Stage 2 under SFRS(I) 9 model, as there has been significant increase in credit risk in the Borrowers, since initial recognition.

- the 12-month ECL for Loan receivable II is made under Stage 1 under SFRS(I) 9 model, as there has not been significant increase in credit risk since initial recognition in December 2018 (acquisition of PHH).

Company

The life-time ECL allowance of the Company on the amount due from subsidiaries is made based on the financial position of the subsidiaries, and the underlying assets relevant to the ultimate manner of recovery of these amounts. Based on the particular circumstances, the Company has determined that the balances are credit-impaired (Stage 3), as at 31 December 2019 in view of:

- lack of revenue generating activities.

- the full impairment of an underlying loan on-lent out to an external borrower by a subsidiary (Loan Receivable I).

(c) Cash and bank balances

Bank deposits are with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was immaterial.

(d) Other current assets, excludes prepayments

The management assess that there are no material ECL on the other current assets, which excludes prepayments.

(iv) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 2018.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising share capital, reserves, retained earnings, and net debts, which represent total bank borrowings, lease liabilities, bond payable, trade and other payables, and lease liabilities from financial institutions less cash and bank balances.

31. FINANCIAL INSTRUMENTS (Continued)

(iv) Capital risk (Continued)

Management monitors capital with reference to net debt-to-equity ratio. The net debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings, lease liabilities, bond payable, trade and other payables and lease liabilities from financial institutions less cash and bank balances. Total equity includes equity attributable to equity holders of the Company.

	Group	
	2019	**2018**
	S$	**S$**
		(Restated)
Net debt	6,535,699	11,858,475
Total equity	54,521,508	60,545,396
Net debt-to-equity ratio	11.99%	19.59%

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(v) Financial instruments by category

	Group		Company	
	2019	**2018**	**2019**	**2018**
	S$	**S$**	**S$**	**S$**
		(Restated)		
Financial assets, at FVOCI	34,755	150,000	–	–
Financial assets at amortised cost:				
- Trade and other receivables	4,259,453	16,445,747	145,287	1,942,386
- Other current assets	230,743	366,734	–	–
- Cash and bank balances	6,643,415	3,115,524	89,482	80,864
	11,168,366	20,078,005	234,769	2,023,250
Financial liabilities at amortised cost:				
- Trade and other payables	6,169,074	9,630,591	12,207,956	11,457,217
- Bond payable	–	–	1,000,000	1,000,000
- Bank borrowings	–	4,609,179	–	–
- Lease liabilities from financial institutions	54,038	103,297	–	–
- Lease liabilities	6,589,339	–	–	–
	12,812,451	14,343,067	13,207,956	12,457,217

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 during the financial years ended 31 December 2019 and 2018.

The Group's financial assets, at FVOCI are quoted in an active market and is measured at fair value (Level 1) (Note 8).

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of other financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, other current assets excludes prepayments, cash and bank balances and trade and other payables excludes contract liabilities and GST payables) are assumed to approximate their fair values because of the short-term period of maturity.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

At the reporting date, there are no financial instruments in this category.

33. SUBSEQUENT EVENT

As disclosed in the Chairman's Message included in the Annual Report of the Company, the management expect a slowdown in business as a result of the impact of COVID-19 outbreak on the economy, but expect relatively consistent flow of revenue from the Group's leasing and service income segment. The Group will continue to closely monitor the impact of the outbreak, macroeconomic development, and put in place measures to mitigate the impact. As the situation is still evolving, the full financial effects of the outbreak for financial year 2020 is unable to be estimated at the date of authorisation of these financial statements.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

SHARE CAPITAL

Issued and Fully Paid-up Capital	:	S$35,255,321
Number of shares Issued	:	1,780,860,561
Class of shares	:	Ordinary
Voting rights	:	One vote per share
Treasury shares	:	Nil
Subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.32	152	0.00
100 - 1,000	50	8.00	38,900	0.00
1,001 - 10,000	109	17.44	482,700	0.03
10,001 - 1,000,000	351	56.16	94,806,517	5.32
1,000,001 AND ABOVE	113	18.08	1,685,532,292	94.65
TOTAL	**625**	**100.00**	**1,780,860,561**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	NG CHUAN HENG	427,900,000	24.03
2	UOB KAY HIAN PRIVATE LIMITED	179,209,100	10.06
3	TEO SIEW CHENG	144,907,000	8.14
4	TAN POH GUAN (CHEN BAOYUAN)	88,461,017	4.97
5	QUEK LAY WAH (GUO LIHUA)	82,604,984	4.64
6	TAN JUN HAO (CHEN JUNHAO)	53,975,000	3.03
7	TAN ZHEN YING (CHEN ZHENYING)	53,975,000	3.03
8	ONG BOON KWONG (WANG WENGUANG)	37,350,000	2.10
9	NG SIEW HONG	37,015,400	2.08
10	JONATHAN LIM ZHENG JIE	29,795,600	1.67
11	KGI SECURITIES (SINGAPORE) PTE. LTD.	27,724,838	1.56
12	LEE LAI SAN (LI LISHAN)	26,730,300	1.50
13	CITIBANK NOMINEES SINGAPORE PTE LTD	24,746,600	1.39
14	NG SOO TIONG	23,300,000	1.31
15	LEE MUI HWA	22,200,000	1.25
16	LAI CHOONG HON	21,000,000	1.18
17	PHILLIP SECURITIES PTE LTD	19,789,000	1.11
18	RHB SECURITIES SINGAPORE PTE. LTD.	17,902,600	1.01
19	LEE LYE FUN (LI LIFEN)	15,650,900	0.88
20	ONG KIOT HOU	15,143,800	0.85
	TOTAL	**1,349,381,139**	**75.79**

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2020

(As recorded in the Register of Substantial Shareholders)

		DIRECT INTERESTS		DEEMED INTERESTS	
NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES	%
1.	Ng Chuan Heng	427,900,000	24.03	–	–
2.	Teo Siew Cheng	144,907,000	8.14	–	–

The percentage of shareholding above is computed based on the total issued shares of 1,780,860,561 excluding treasury shares of the Company.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

The percentage of shareholdings of the Company (excluding preference shares, convertible equity securities and treasury shares) held in the hands of the public is approximately 55.62%. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

AA GROUP HOLDINGS LTD.

(Company Registration Number : 200412064D)
60 Benoi Road #03-02 Singapore 629906
Tel: + 65 6268 7112
Website: www.aagroupholdings.com