ANNUAL REPORT 2019

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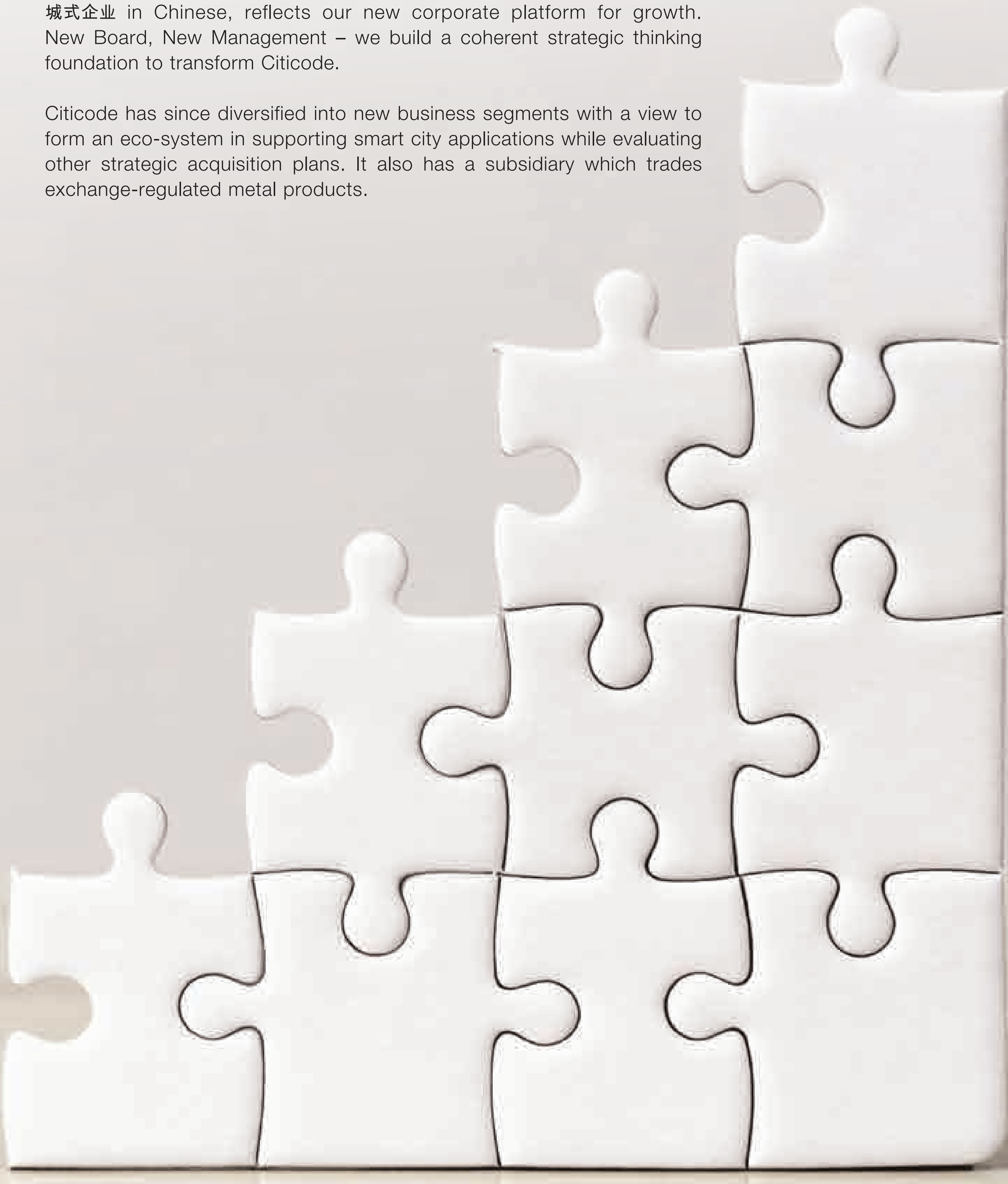
CORPORATE PROFILE

Listed on the Mainboard of the Singapore Exchange since 2004, Citicode Ltd ("Citicode"), is the result of our business transformation and corporate re-branding from the former Advance SCT Limited. Citicode or 城式企业 in Chinese, reflects our new corporate platform for growth. New Board, New Management – we build a coherent strategic thinking foundation to transform Citicode.

Citicode has since diversified into new business segments with a view to form an eco-system in supporting smart city applications while evaluating other strategic acquisition plans. It also has a subsidiary which trades exchange-regulated metal products.



CHAIRMAN & CEO'S STATEMENT

DEAR SHAREHOLDERS,

A ROUGH PATCH

In 2019, many industries were caught up in a raft of macro uncertainty and geopolitical challenges, given the risks of re-escalating and relief of de-escalating US-China trade tensions. Then in early 2020, all of us faced widespread fears of coronavirus epidemic in China where we have seen factories shut, output drops and demand falls causing a major disruption in supply chain. Now, at time of writing this letter, China has shown a remarkable trend of improvement in this epidemic containment given its coordinated efforts. While this appears to be a sign of reprieve, very sadly, the coronavirus is now spreading globally.

In the midst of these global fears (now, a pandemic), an oil-price war was launched that when most of us are still having hard time to latch on, this pair of Black Swans converged. So, global stock markets suffered bruising rout, industrial commodities price swung wildly, market sentiments weakened, and business confidence fades out. In other words, to say that the current markets are no good would be a serious understatement and the negative sentiments have just been exacerbated across the board in various industries.

OVERVIEW

The good news is we have been able to form project consortium comprising of highly qualified specialist contractors, but we were not able to bid and procure major projects given limitation in fund raising and non-competitive pricing. As a result, we were focused in good-profile consultancy projects in smaller scale with a view of slowly establishing our outsourcing models. We have also changed our strategy to support larger scale projects as part of the eco-system of a sub-contractor.

During the year under review, despite lower revenues from trading and one-off professional fees, we managed to report a small net profit of $0.013 million for FY2019, reversing a net loss of S$0.63 million in FY2018, which attributed mainly to a project delivery, moderately profitable trading business, cost control measures, overprovisions and the absence of debts capitalisation expenses previously incurred by the former management. Whilst our results for FY2019 was a significant improvement, we had previously warned that commodities market remains highly volatile and evaluation of certain smart M&E projects could take longer-than-expected time.

CHAIRMAN & CEO'S STATEMENT

Amidst market uncertainty, we expect business volatility and lumpy revenues. Given fluctuating revenues, we expect uneven cash flow patterns and will have to keep our costs down. As such, we will further streamline and reorganise our corporate functions for cost savings.

FUND-RAISING CONSTRAINTS

A brief history – I knew the fact that we could not raise funds easily when I first took management control over the legacy platform in July 2018, but along the way, I have had fruitful discussions with several potential investors who expressed confidence in us and we were hopeful of finalising those commercial terms as planned. As things progress, I realised that we could not raise any funds indeed (in any forms or whatsoever) specifically due to the legacy 41.3 billion shares base, which we may have to massively reduce. To do so, it is highly likely that we will have to consolidate our shares in the near future, as previously highlighted. This fund-raising obstacle has seriously restricted our ability to leverage in the scales we would have liked.

Given this limitation and under such a situation, I have continued to provide financial support for our operations. Being a controlling shareholder and an executive chairman, I have been providing interest-free loans for our working capital needs.

OUTLOOK AND STRATEGIES

In this madly unpredictable environment, I have absolutely no exceptional skill except for a rough guess. We are facing acute uncertainty when things have varied in acceleration as amplified by fears and falling confidence. At the macro level, we have seen many downward adjustments to the global economic forecasts making clear calls for an imminent recession with renewed jitters. Sure enough, many of us have been mindful on the heightening fears of such risk particularly, under the current state of stress and in this state of flux.

It will thus be safer for us to cut down trading scales, adopt more conservative hedging approach and push back a little in projects bidding as many sectors are not exempt from being badly disrupted during these difficult times. Like many others, I think we should observe more carefully before the next course of actions. Heroic ideal plans at this horrible time can be quite nasty. More so, our resources are extremely limited at this point in time.

Against this backdrop, we continue to seek acquisitional growth as some sectors may still gain traction in meeting returns expectation reasonably well. From our perspective, there exists an opportunity for us to potentially strengthen an existing strategic partnership which emerges from a good form of collaboration – specifically with whom we have been working very well and in a sector which we continue to see indicative signs of profitability growth.

I strongly believe that if we could forge ahead with this acquisition strategy, we could shore up much broader revenues, sustain more visibility in earnings and embark in a less volatile sector.

THANK YOU

I must thank our business associates who have been working very closely with us in projects evaluation, strategic collaboration and joint venture opportunities.

I must also thank Simon Eng, the former non-executive director and former management, who stepped down last year. He had been supportive of the previous debts restructuring exercise and operations of the then Advance SCT.

I must continue to thank our shareholders who have been patiently waiting for a meaningful turnaround.

Having said that, I remain quietly confident to lead in these trying times.

Regards

Teh Wing Kwan
Executive Chairman and CEO
email: wkteh@citicode.com.sg

BOARD OF DIRECTORS

MR TEH WING KWAN
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Teh Wing Kwan was first appointed as the Non-Executive Chairman on the 27 June 2018 and was subsequently re-designated as the Executive Chairman and Chief Executive Officer ("CEO") with effect from 24 July 2018.

Mr Teh, a sophisticated investor, specialises in corporate finance, corporate restructuring and mergers and acquisitions. Mr Teh was the Managing Director and Group CEO of Sapphire Corporation Limited (listed on the Mainboard of the SGX-ST) from October 2013 to December 2017. Under Mr Teh's leadership, Sapphire underwent a major restructuring and corporate transformation exercise. Mr. Teh also led Sapphire to be the first company listed outside Hong Kong to receive the 2016 Listed Enterprise Excellence Awards from Hong Kong-based Capital Weekly.

Mr Teh is currently the Chairman of the Board for China Vanadium Titato-Magnetite Mining Company Limited (listed on the Mainboard of HKEX) where he has led the team to completion of a RMB1.3 billion restructuring exercise in 2019. He is the appointed advisor to Koda Ltd (listed on the Mainboard of the SGX-ST) and also served as a non-executive director for other public companies listed on the Australian Securities Exchange, SGX Catalist and Hong Kong Stock Exchange.

Mr Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of the Hong Kong Securities and Investment Institute.

Mr Teh was a nominee for the 2015 and 2016 Asia Pacific Entrepreneurship Awards (Singapore) under the Industrial and Commercial Products Industry as well as the Outstanding Leaders category for the 2017 and 2018 Asia Corporate Excellence & Sustainability Awards.

BOARD OF DIRECTORS

Mr Fong Heng Boo was appointed to the Board with effect from 20 July 2018 as an Independent Director, Chairman of Audit and Nominating Committees and a member of the Remuneration Committee. Mr Fong was subsequently appointed as the Lead Independent Director with effect from 24 July 2018.

Mr Fong is also an independent director for other Singapore-based companies, among others, CapitaLand Retail China Trust Management Limited, Surbana Jurong Private Limited, Singapore Health Services Pte Ltd and TA Corporation Ltd.

Mr Fong was with the Auditor-General's Office ("AGO"), Singapore and held the position of Assistant Auditor-General when he left AGO in 1993. Mr Fong was also the Director (Special Duties) at the Singapore Totalisator Board where he led the Finance and Investment functions.

Mr Fong has over 45 years of experience in auditing, finance, business development and corporate governance. He graduated from the University of Singapore (now known as the National University of Singapore) with a Bachelor of Accountancy (Honours) in 1973.

Mr Chan Yu Meng was appointed to the Board with effect from 20 July 2018 as an Independent Director, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees.

Mr Chan Yu Meng graduated from the University of Durham and is called to the Singapore Bar. He is a partner in the corporate department of Lee & Lee, a law firm in Singapore. He has more than 20 years of experience and currently practises in the areas of mergers and acquisitions, capital markets, corporate finance, corporate restructuring, securities law, stock exchange practice and corporate secretarial matters. He also has prior experience as a litigation counsel representing clients in both civil and criminal matters.

He has previously served as an independent director on several SGX-listed companies. He is an ordinary member of the Singapore Institute of Directors (SID) and currently serves on the Branding and Communications Committee of the SID. He also serves as a member of the Information Technology Committee of the Law Society of Singapore.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000	Change %
Revenue	**21,092**	**54,977**	(61.6)
Cost of sales	**(20,708)**	**(54,209)**	(61.8)
Gross profit	**384**	**768**	(50.0)
Other income	**35**	**140**	(75.0)
Administrative expenses	**(358)**	**(1,299)**	(72.4)
Other expenses	**–**	**(141)**	n.m
Finance costs	**(48)**	**(106)**	(54.7)
Profit/(Loss) before income tax	**13**	**(638)**	n.m
Income tax expense	**–**	**–**	–
Profit/(Loss) for the year, net of tax	**13**	**(638)**	n.m
Profit/(Loss) attributable to:			
Equity holders of the Company	**13**	**(638)**	n.m
Non-controlling interests	**–**	**–**	
	13	**(638)**	n.m

n.m: not meaningful

Revenue

Total revenue, excluding revenue derived from an engineering consultancy project of S$0.13 million, fell by S$34.0 million due to lower trading volume for metal products amid market uncertainty and volatility.

Gross Profit

Fell by S$0.38 million on the back of lower trading volume. Gross margin, including that for the consultancy project, improved from 1.40% to 1.82%.

Other Income

Fell by S$0.11 million due mainly to net foreign exchange gain as the US$ strengthened against our reporting currency in S$.

Administrative Expenses

Fell by S$0.94 million, despite one-off professional fees incurred for corporate functions, due mainly to (i) cost control measures (ii) overprovision of expenses and (iii) absence of non-recurring costs incurred for the debt restructuring exercise previously completed by the former management in FY2018.

Finance Costs

Fell by S$0.06 million as a result of lower borrowings upon completion of the debt capitalisation exercise in February 2018.

Profit Attributable To Equity Holders of the Company

As a result of the above, the Group reported a Net Profit of S$0.013 million for FY2019, reversing a Net Loss of S$0.64 million for FY2018.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Group	
	2019	**2018**
	$'000	**$'000**
ASSETS		
Non-current Assets		
Right-of-use assets	**80**	**–**
Finance lease receivables	**63**	**–**
Investment in a joint venture	**1**	**–**
	144	**–**
Current Assets		
Prepayments	**9**	**5**
Finance lease receivables	**19**	**–**
Trade receivables	**227**	**2,932**
Other receivables	**241**	**27**
Cash and cash equivalents	**406**	**199**
	902	**3,163**
Total assets	**1,046**	**3,163**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	**209,581**	**209,581**
Capital reserve	**(654)**	**(654)**
Foreign currency translation reserve	**(29)**	**9**
Accumulated losses	**(209,213)**	**(209,226)**
Total equity	**(315)**	**(290)**
Non-current Liabilities		
Other payables	**–**	**162**
Lease liabilities	**126**	**–**
Borrowings	**715**	**200**
	841	**362**
Current Liabilities		
Trade payables	**43**	**2,425**
Other payables	**439**	**666**
Lease liabilities	**38**	**–**
	520	**3,091**
Total liabilities	**1,361**	**3,453**
Total equity and liabilities	**1,046**	**3,163**

CURRENT ASSETS

Right-of-use Assets
Relates to those long-term finance leases recorded under the revised financial reporting standards (i.e SFRS(I) 16 Leases) (the "Finance Leases").

Finance Lease Receivables
Relates to a sublease under the Finance Leases.

Trade Receivables
Fell by S$2.71 million on the back of lower trading revenues and shorter collection cycle.

Other Receivables
Rose by S$0.22 million due mainly to security deposits placed with our suppliers, which were refunded to us upon full settlements of the related trade supplies subsequent to the financial year end.

Cash and Cash Equivalents
Rose by S$0.21 million after accounting for working capital changes for our operations, interests payment and proceeds from borrowings.

CAPITAL AND RESERVES

Accumulated Losses
Fell by S$0.013 million after accounting for current year profit.

Total Equity
Fell by S$0.03 million after accounting for current year results and foreign currency translation reserve.

NON-CURRENT LIABILITIES

Lease Liabilities
Comprised of payment obligations in relation to the Finance Leases.

Borrowings
Rose by S$0.52 million due to additional loans from a director and a third party.

CURRENT LIABILITIES

Trade Payables
Fell by S$2.38 million due to payments for our trade supplies.

Other Payables
Fell by S$0.39 million due mainly to payments of non-trade supplies.

OPERATIONS AND FINANCIAL REVIEW

OPERATIONS REVIEW

Market risks for our trading business are largely dependent on various macro factors. We have seen slowing global activities, increased uncertainty, higher volatility and weaker sentiments that these concerns require us to manage our trading business more prudently.

As previously disclosed, our evaluation of certain M&E projects (including proof-of-concept and technical proposals, as applicable) have long gestation periods. Meanwhile, we will continue to evaluate other key acquisition strategies, specifically on those targets which show indicative signs of profitability growth as we evaluate targets across several different industries. Should any of these corporate actions materialise, we will incur additional professional fees. We had also highlighted that we would have to improve our leverage position for potential fund-raising exercise given our existing ordinary shares structure of approximately 41.3 billion issued shares. At the same time, we expect to further streamline our corporate functions for improving work efficiencies and reducing operating costs.

FINANCIAL REVIEW

Note: For the ease of reference, we have included "**Results At A Glance**" on Pages 6 to 7 in our Annual Report providing explanatory notes to financial performance for the financial year ended 31 December 2019 ("**FY2019**") and financial position as at 31 December 2019.

Financial Performance for FY2019

Total revenue, excluding revenue derived from an engineering consultancy project of S$0.13 million, fell by 61.9% to S$21.0 million from S$55.0 million in FY2018 due to lower trading volume for metal products amid market uncertainty and volatility. Gross margin, including that of the consultancy project, improved to 1.82% from 1.40%.

Other income comprised mainly of net foreign exchange gain as the US$ strengthened against our reporting currency in S$ during FY2019.

OPERATIONS AND FINANCIAL REVIEW

Administrative expenses, despite one-off professional fees for corporate functions, fell significantly by S$0.94 million to S$0.36 million in FY2019 due mainly to (i) cost control measures (ii) reversal of overprovision of expenses and (iii) absence of non-recurring costs incurred for the debt restructuring exercise previously completed by the former management in FY2018.

Finance cost fell by S$0.06 million to S$0.05 million in FY2019 as a result of lower borrowings following the completion of the debt capitalisation exercise on 27 February 2018.

As a result of the above, the Group reported a net profit after income tax of S$0.013 million for FY2019.

Financial Position as at 31 December 2019

Trade receivables fell by S$2.71 million to S$0.23 million on the back of lower trading revenues.

Other receivables, which comprised mainly of deposits, rose by S$0.21 million to S$0.24 million due mainly to security deposits placed with our suppliers, which were refunded to us upon full settlements of the related trade supplies subsequent to the financial year end.

The right-of-use assets of S$0.08 million relates to those finance leases (including long term lease for office premise and office equipment) (the “Leases”) as adopted based on the modified retrospective approach of SFRS 16, effective 1 January 2019 whereas the current and non-current finance lease receivables of S$0.082 million relates to a sublease under the Leases.

Trade payables fell by S$2.38 million to S$0.04 million as a result of payments for our trade supplies.

Other payables fell by S$0.39 million to S$0.44 million due mainly to payments of non-trade supplies.

Lease liabilities of S$0.16 million as at 31 December 2019 comprised of payment obligations in relation to the Leases.

Long term borrowings rose by S$0.52 million to S$0.72 million as at 31 December 2019 due to additional loans from director and a third party during the year under review.

Shareholders’ Equity

Total equity, after accounting for current year results and foreign currency translation reserve, was negative S$0.32 million as at 31 December 2019 as compared to negative S$0.29 million as at 31 December 2018.

Cash flows

Net cash used in operating activities was S$0.22 million after accounting for working capital changes for the operations, including cash flows from both interest received and interest paid.

Cash flows generated from investing activities rose by S$0.02 million due mainly to the proceeds received from finance lease receivables.

Cash flows generated from financing activities rose by S$0.41 million mainly due to additional loans from a director and a third-party and repayment of lease liabilities.

As a result of the above, cash and cash equivalents rose by S$0.21 million to S$0.41 million as at 31 December 2019.

SUSTAINABILITY REPORT

1. Board statement

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

During an extraordinary general meeting held on 12 February 2019, our shareholders approved our plan to diversify into the new business of mechanical and electrical and infrastructure engineering ("M&E and Infrastructure Engineering Business") which could potentially build our capabilities in providing technical solutions to support smart facilities management and smart city applications ("Smart M&E Business"). At the same time, we have also been evaluating other strategic acquisition plans as part of our corporate transformation strategies (the "New Businesses").

As we move on to implement these diversification plans and evaluate such acquisition strategies, our corporate plans, business models, and operations will inevitably change and so will our key ESG factors. As a result, the key ESG factors disclosed in this SR Report may not be complete and are not necessarily relevant to the New Businesses, which we will have to review, evaluate and update accordingly in due course.

As we move towards building a sustainable business, we remain committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long term future of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this SR Report.

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

2. Reporting framework

This SR Report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and SGX-ST listing rules 711(A) and 711(B). We have chosen to report using the GRI Standards: Core option as it is an internationally recognised reporting framework.

3. Reporting period and scope

This SR Report is applicable for our Group's financial year ended 31 December 2019 (the "Reporting Period" or "FY2019"). A SR Report will be published annually thereafter in accordance with our SR Policy.

This SR Report covers the key operating entity within our Group which contributed almost 100% (FY2018: 100%) of the total Group's revenue for the Reporting Period.

4. Feedback

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

SUSTAINABILITY REPORT

5. Stakeholder engagement

Our Group's efforts on sustainability is focused on creating sustainable value for our key stakeholders, which comprise customers, regulators, shareholders and suppliers. Key stakeholders are determined for each material factor identified based on the extent of which they can affect or are affected by operations of our Group. We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel	Their expectations
1	Customers	Customers are encouraged to provide their feedback and feedback obtained is reviewed and relevant follow-up actions are taken to better serve them. Regular communications are encouraged to ensure that we remain connected with the customers.	Timely delivery
2	Regulators	We participate in consultations and briefing organised by key regulatory bodies such as Singapore Exchange Regulation Pte. Ltd. ("SGX Regco") so as to furnish feedback on proposed regulatory changes that impact our business. We also understand that we shall seek consultation from SGX for certain key corporate actions, if required so.	▪ Uphold core principles of corporate governance ▪ Regulatory and statutory compliance
3	Shareholders	We convey timely, full and detailed information to shareholders through corporate announcements and press releases (for certain key corporate actions) on SGXNET. We also communicate with Shareholders via annual general meeting, extraordinary general meetings (if applicable) and issuance of annual report (with CEO's personal email address and Results At A Glance being included therein). Shareholders can also send their feedback on this SR Report to this email address (sustainability@citicode.com.sg) as well.	▪ Sustainability of business performance arising from any proposed corporate turnaround strategies and/or transformation plans ▪ Uphold core principles of corporate governance
4	Suppliers	We maintain a good relationship with trade suppliers by encouraging frequent communication to ensure that we stay relevant to suppliers.	▪ Demand visibility ▪ Timely payment to trade suppliers

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

SUSTAINABILITY REPORT

6. Policy, practice and performance reporting

6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the board of directors of Citicode (the "Board of Directors"). The CEO, in consultation with the Board of Directors, develops the sustainability strategy, reviews its material impacts, considers stakeholder priorities and sets goals and targets. Other staff personnel and directors of our subsidiaries will collect, verify and provide relevant data for performance reporting relating to this SR Report.

6.2 Sustainability reporting processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end results of this process are a list of material factors disclosed in this SR Report. Inter-relations of which are as shown in the chart below:

Identification	Prioritisation	Validation	Review
Identification of the material factors that are relevant to our Group's activities and data points for performance reporting	Prioritisation of the material factors and identification of key sustainability factors to be reported	Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalise the Report content	Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organisational and external developments

6.3 Materiality assessment

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

Reporting priority	Description	Criteria
I	High	Factors with high reporting priority should be reported on in detail.
II	Medium	Factors with medium reporting priority should be considered for inclusion in the SR Report. We may decide to exclude them in the SR Report, if immaterial.
III	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. If immaterial, these factors may be excluded from the SR Report.

The reporting priority is supported by a material factor matrix considers the level of concern to external stakeholders and potential impact on business.

SUSTAINABILITY REPORT

6.4 Performance tracking and reporting

We track the progress of our material factors by identifying the relevant data points, measuring and monitoring them. In addition, we set performance targets that are aligned with our strategy to ensure that we remain focused in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improve our data capture systems.

7. Material factors

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

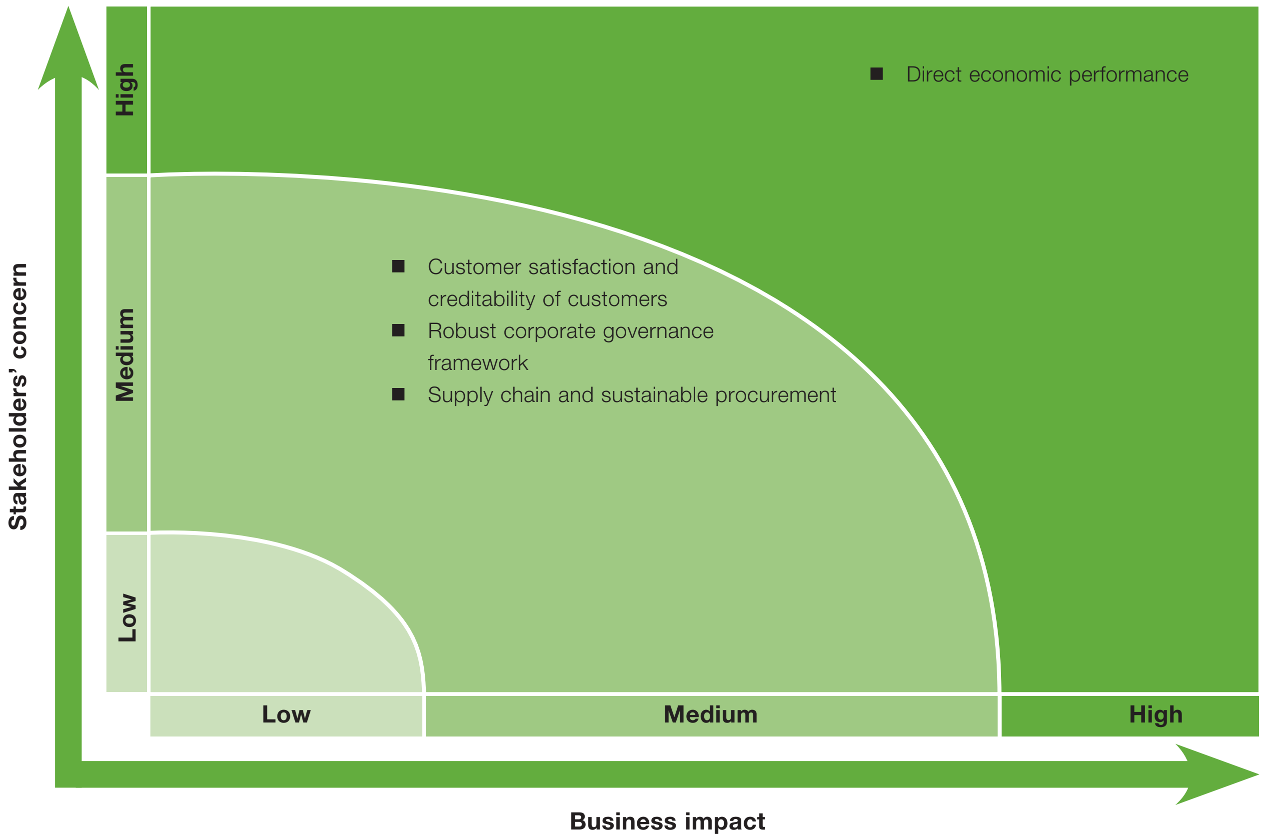
Presented below are a list of material sustainability factors applicable to our Group:

List of material sustainability factors

S/N	Material factor	Key stakeholder	Reporting priority
General disclosure			
1	Customer satisfaction and creditability of customers	Customer	II
Economic			
2	Direct economic performance	Shareholder	I
3	Supply chain and sustainable procurement	Supplier	II
Governance			
4	Robust corporate governance framework	Shareholder, Regulator	II

SUSTAINABILITY REPORT

Material factor matrix



We will update the material factors on an annual basis to reflect changes in corporate strategies, business operations, environment, stakeholders' feedback and sustainability trends. The details of each key sustainability factor for FY2019 are presented as follows:

7.1 Customer satisfaction and creditability of customers

We make a constant effort to ensure customer satisfaction is achieved by ensuring timely delivery, prompt response to enquiries as well as the quality of the products delivered. Channels are made available for constant feedbacks from customers.

As part of the business risk management for supply chain, we also assess the credibility of our business partners and associates. Accordingly, we conduct relevant background check prior to entering into a new business relationship.

SUSTAINABILITY REPORT

7.2 Direct economic performance

We believe that a profitable business that constantly adds shareholder's value and provides stable returns is key to our Group's sustainability over the long term, which may require us to explore business opportunities across various industries. As such, we have been making constant efforts in evaluating other strategic acquisition strategies, apart from managing our existing trading business and implementing the diversification plans.

As we began to evaluate other key acquisition strategies as part of our corporate transformation plans, we adopted the following measures to manage our resources more prudently during this transitional period. Specifically,

- we will continue to streamline our corporate functions for improving efficiencies and costs control;
- we monitor our operating cash flows on weekly basis and we have implemented budgetary control;
- we review financial reports regularly for relevant status update; and
- we discuss with our Board of Directors frequently to assess feasibility of potential business and/or acquisition plans.

In addition to the above and to support our operations, Mr Teh Wing Kwan, as a substantial Shareholder, Executive Chairman and CEO of the Company, has voluntarily offered to defer his pay during the financial year under review, as the Company is still in the midst of implementing its Strategic Plans.

Details of our economic performance can be found in the financial contents and audited financial statements of this Annual Report.

While we are embarking on new business opportunities, we view two-way communication with our shareholders as highly important for their continual support. Apart from our Annual Report, we will continue to provide relevant updates to shareholders if there are any material developments in implementation of our corporate plans. Shareholders are also encouraged to write to our Executive Chairman and CEO that they can find his personal email address in his Chairman's Statement.

7.3 Supply chain and sustainable procurement

The traceability of supply chain is a collaborative effort between our stakeholders and the Group as we verify and assure the sustainability claims associated with the contracts which the Group enters into. We also take a constant effort to validate the contracts we enter into. More importantly, we trade only in certified contracts which are listed on the London Metal Exchange ("LME"), in order to minimise risk relating to procurement practices for its existing trading business and giving added level of assurance as guided within the framework of LME.

SUSTAINABILITY REPORT

7.4 Robust corporate governance framework

We are committed to employing the best practices of corporate governance to ensure sustainability of our operations. We believe that the constant drive to upkeep corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby increasing the value of the Company and the value to our shareholders.

We have in place a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. During the Reporting Period, there was no reportable incident[1] (FY2018: zero incident).

For a more detailed discussion on our Corporate Governance practices, please refer to this Annual Report under the section entitled "Corporate Governance Report".

7.5 Our environmental impact

During the Reporting Period, we are principally involved in the trading business and thus our impact on the environment, after assessing the level of concern to external stakeholders and potential impact on business, is deemed not to be a material sustainability factor.

Whilst it seems insignificant to our business operations, we will still constantly remind our staff to keep socially responsible work habits such as to adopt greener work ethics, go paperless, switch off appliances if not in use and enable power save modes.

In addition, we constantly track and manage our resource consumption which comprises electricity and water.

7.6 Our people

We aim to provide a work environment for our employees that fosters fairness, equity and respect for social and cultural diversity, regardless of their gender, age and educational background. For FY2019, employee diversity was not identified as a material social factor as we maintained a lean organisational structure during the Reporting Period which is in line with our intention to progressively scale down the trading business given the market uncertainty and volatility.

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

SUSTAINABILITY REPORT

8. Target setting

For our material factors identified, we have set targets for FY2020 as follows:

S/N	Material factor	Target for FY2020
1	Customer satisfaction and creditability of customers	Maintain a constant effort to ensure timely delivery.
2	Direct economic performance	Continue to (i) evaluate project bidding opportunities for our M&E Business as a subcontractor, (ii) implement other key acquisition strategies for sustainable corporate turnaround plans and (iii) maintain a prudent approach for our commodities trading business.
3	Supply chain and sustainable procurement	Maintain existing sourcing models and to ensure timely payments to trade suppliers.
4	Robust corporate governance framework	Achieve zero case of reportable incident.

9. GRI content index

General standard disclosure		Section reference	Page
Organisation profile			
102-1	Name of the organization	Cover Page	–
102-2	Activities, brands, products, and services	■ Corporate Profile ■ Notes to the Financial Statement > General Information ■ Notes to the Financial Statements > Investment in Subsidiaries	1 81 113 – 114
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102-8	Information on employees and other workers	Sustainability Report > Material Factors > Our People	16
102-9	Supply chain	Sustainability Report > Material Factors > Supply Chain and Sustainable Procurement	15
102-10	Significant changes to the organization and its supply chain	There was no significant changes to the organization and its supply chain during the reporting period	–
102-11	Precautionary Principle or approach	None	–
102-12	External initiatives	None	–
102-13	Membership of associations	None	–
Strategy			
102-14	Statement from senior decision-maker	Sustainability Report > Board Statement	10
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	■ Sustainability Report > Material Factors > Robust Corporate Governance Framework ■ Corporate Governance	16 21 – 63
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102-18	Governance structure of the organization	Corporate Governance	21 – 63
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	11
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements	–
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement	11
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	11
102-44	Key topics and concerns raised	■ Sustainability Report > Stakeholder Engagement ■ Sustainability Report > Material Factors > Customer Satisfaction and Creditability of Customers	11 14
Reporting practice			
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102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	12
102-47	List of material topics	Sustainability Report > Material Factors	13 – 16
102-48	Restatements of information	None	–
102-49	Changes in reporting	None	–
102-50	Reporting period	Sustainability Report > Reporting Period and Scope	10
102-51	Date of most recent report	Sustainability Report FY2018	–
102-52	Reporting cycle	Sustainability Report > Reporting Period and Scope	10
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	10
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	▪ Sustainability Report > Reporting Framework ▪ Sustainability Report > GRI Content Index	10 17 – 19
102-55	GRI content index	Sustainability Report > GRI Content Index	17 – 19
102-56	External assurance	We may seek external assurance in the future	–
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	13 – 16
103-2	The management approach and its components	▪ Sustainability Report > Board Statement ▪ Sustainability Report > Policy, Practice and Performance Reporting ▪ Sustainability Report > Material Factors	10 12 – 13 13 – 16
103-3	Evaluation of management approach	Sustainability Report > Material Factors	13 – 16
Category: Economic			
201-1	Direct economic value generated and distributed	▪ Results at a Glance ▪ Operations and Financial Review ▪ Sustainability Report > Material Factors > Direct Economic Performance ▪ Statements of Financial Position ▪ Consolidated Statement of Comprehensive Income	6 – 7 8 – 9 15 76 77
204-1	Proportion of spending on local suppliers	Sustainability Report > Material Factors > Supply Chain and Sustainable Procurement	15
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Robust Corporate Governance Framework	16

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. TEH WING KWAN
Executive Chairman and Chief Executive Officer

MR. FONG HENG BOO
Lead Independent Director

MR. CHAN YU MENG
Independent Director

AUDIT COMMITTEE

MR. FONG HENG BOO *(Chairman)*
MR. CHAN YU MENG
MR. TEH WING KWAN
(Appointed on 27 February 2020)

NOMINATING COMMITTEE

MR. FONG HENG BOO *(Chairman)*
MR. CHAN YU MENG
MR. TEH WING KWAN

REMUNERATION COMMITTEE

MR. CHAN YU MENG *(Chairman)*
MR. FONG HENG BOO

COMPANY SECRETARY

MS GN JONG YUH GWENDOLYN
(of Shook Lin & Bok LLP)

REGISTERED OFFICE

1 Robinson Road #17-00
AIA Tower
Singapore 048542

AUDITORS

FOO KON TAN LLP
PARTNER-IN-CHARGE: MR ONG SOO ANN
(Appointed on 8 November 2018)

SHARE REGISTRAR/SHARE TRANSFER AGENT

BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

GROUP OF COMPANIES:

SINGAPORE

ASIAPAC RECYCLING PTE LTD
Core Business:
- *Dealer of ferrous and non-ferrous metals and insulated cable scraps*

CITICODE CORPORATION PTE. LTD.
Core Business:
- *Other Holding Companies*

N&T SMART ENGINEERING (PTE.) LTD.
Core Business:
- *Contractor undertaking Engineering & Electrical Works related to smart city technology (Internet of Things and artificial intelligence)*

CITICODE – SNAP AI PTE. LTD. *(joint venture)*
Core Business:
- *Development of machine learning and deep learning bots in the area of artificial intelligence*

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Citicode Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") recognises the importance of good corporate governance for continued growth and investors' confidence. The board (the "**Board**") of directors (the "**Directors**" or each a "**Director**") of the Company and the management of the Company (the "**Management**") are strongly committed to achieving and maintaining high standards of corporate governance within the Group which is essential to the protection of interests of shareholders of the Company ("**Shareholders**") and enhancing long-term Shareholder value and returns.

This report ("**CG Report**") describes the Company's corporate governance practices for the financial year ended 31 December 2019 ("**FY2019**"), with specific reference to the provisions of the Code of Corporate Governance 2018 (the "**Code**") and the rules (the "**Listing Rules**") of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company has adhered to the principles, guidelines and provisions as set out in the Code and Listing Rules, as the case may be. Insofar as any principle, guideline and/or provision has not been complied with, appropriate explanations have been provided.

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

Role of the Board

The primary function of the Board is to oversee the business and corporate affairs of the Company so as to protect the interests of Shareholders and enhance long-term Shareholder value and returns. All Directors must act in good faith and objectively in discharging their duties and responsibilities at all times as fiduciaries in the best interests of the Company and hold the Management accountable for performance. Besides carrying out its fiduciary and statutory responsibilities, the Board's other roles and responsibilities, among others, are to: Provision 1.1

(a) provide entrepreneurial leadership, and review strategic plans and objectives, which include appropriate focus on value creation and sustainability;

(b) ensure that the necessary financial and human resources are in place for the Company to meet its strategic objectives;

(c) establish and maintain a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets;

CORPORATE GOVERNANCE REPORT

(d) review the performance of the Company's management (the "**Management**");

(e) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

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

(g) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and

(h) approve major investment and divestment proposals.

The day-to-day management of the Company's businesses and affairs, and the implementation of corporate strategies formulated by the Board have been entrusted to Management that is led by the Chief Executive Officer (the "**CEO**"). The Directors are aware of their duties at law, which includes acting in good faith and in the best interests of the Company, and exercise due care, skill and diligence, and independent judgment in making decisions on the recommendations of the Management and make objective decisions in the best interests of the Company.

The Board has put in place policies, structures and mechanisms to ensure compliance with legislative and regulatory requirements. In particular, to achieve a higher standard of corporate governance, the Company has implemented a whistle-blowing policy to guide the staff of the Company in reporting matters concerning suspected fraud, corruption, dishonest practices or other similar breaches. Further details can be found in our disclosures in relation to Provision 10.1 of this Corporate Governance Report and in our Sustainability Report (as required under Rule 711A of the Listing Rules) found in this Annual Report.

The Board has also set an appropriate tone-from-the-top and a desired organisational culture, and ensures proper accountability within the Company. Directors who face conflicts of interest disclose the issues of conflict and recuse themselves from meetings, discussions and decisions involving the issues of conflict.

The Sustainability Report of the Company can be found under the section entitled "Sustainability Report" in this Annual Report.

CORPORATE GOVERNANCE REPORT

Induction, Training and Development of Directors

Upon the appointment of each Director, the Company provides a formal letter to the Director setting out, *inter alia*, the Director's roles, duties, obligations and responsibilities (including their roles as Executive Director, Non-Executive Director and Independent Directors, as the case may be) and the expectations of the Company. Newly appointed Directors receive an appropriate orientation to provide them with background information about the Group's history, the Company's strategic plans and objectives as well as the Company's corporate governance practices. They are also advised on their statutory duties as well as their other responsibilities as Directors, which includes acting in good faith and the best interests of the Company, exercising due care, skills and diligence, and avoiding conflicts of interests. In addition, Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business and operations.

Provision 1.2 & Listing Rule 210(5)(a)

Newly appointed Directors with no prior experience as a director of an issuer listed on the SGX-ST will be provided training in areas such as accounting, legal and industry-specific knowledge as appropriate. These new Directors with no prior experience will also undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment will be disclosed.

Changes to legislations, regulations, financial reporting standards and the Listing Rules are monitored closely by the Management. To keep pace with such changes, all Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Board is mindful of the best practice in the Code to initiate programmes for Directors to meet their relevant training needs. In this regard, the Company is supportive of Board members in the participation of industry conferences and seminars and will fund Directors' attendance at any course or training programme in connection with their duties as directors.

In the financial year under review, some of our Directors attended the following courses:

- *Navigating Through a Financial Fraud Investigation organised by the Singapore Institute of Directors (SID);*
- *Business Valuation conducted by the MDD Forensic Accountants;*
- *Employee Fraud conducted by the MDD Forensic Accountants; and*
- *Seminar on the New Variable Capital Companies Act provided by the Law Society of Singapore.*

CORPORATE GOVERNANCE REPORT

Directors are also keeping abreast of developments which are relevant to the Company and are informed by Management of legislative and regulatory changes affecting the Company via emails. During the financial year under review, the Board was updated on the changes of rules and/or regulations, including but not limited to recent changes to relevant legislative and regulatory requirements, amendments to the Listing Rules, recent changes to the Singapore Financial Reporting Standards, and changing commercial risks. The Directors also discussed and shared their views on those changes which are relevant to the Company's businesses and strategic directions.

In the financial year under review, the Board and Management of the Company have appropriate experience and expertise to manage the Group's business, taking into account the existing nature and scope of the Group's operations and requirements of the business.

Matters Requiring Board Approval

The Company has in place a set of internal guidelines that sets out, among others, the matters reserved for the Board's approval, and these internal guidelines have been clearly communicated to the Management in writing. Provision 1.3

Certain material transactions and matters that require Board approval include, *inter alia*, the following:

(a) results announcements;

(b) annual report and audited financial statements;

(c) declaration of interim and/or proposal of final dividends;

(d) acceptance of new banking facilities;

(e) acceptance of interest-free loans from a substantial Shareholder and a Director;

(f) implementation of corporate and business strategies;

(g) corporate or financial restructuring;

(h) material acquisitions and disposal of assets;

(i) transactions involving a conflict of interest for a substantial Shareholder or a Director;

(j) interested person transactions of a material nature;

(k) issuance of new shares and financial instruments; and

(l) convening of Shareholders' meeting.

CORPORATE GOVERNANCE REPORT

Board Committees

To assist the Board in the execution of its responsibilities and as required under Rule 210(5)(e) of the Listing Rules, the Board has delegated specific responsibilities to various Board committees (the "**Board Committees**"), namely the Nominating Committee (the "**NC**"), the Remuneration Committee (the "**RC**") and the Audit Committee (the "**AC**"), without abdicating its responsibility. Each Board Committee functions within clear written terms of reference, setting out their compositions, authorities and duties, including reporting back to the Board. These terms of reference are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also reviewed by the Board, at least once a year.

Provision 1.4 & Listing Rule 210(5)(e)

The names of each Board Committee member, the terms of reference, any delegation of the Board's authority to make decisions and a summary of each Board Committee's activities are set out below:

(i) Nominating Committee (Principle 4);

(ii) Remuneration Committee (Principle 6); and

(iii) Audit Committee (Principle 10).

All the Board Committees are chaired by an Independent Non-Executive Director and are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. Decisions on important matters are decided by the Board.

Board Meetings

At the meetings of the Board and Board Committees, the Directors actively participate and are free to discuss and openly challenge the views presented by the Management and the other Directors. The decision-making process is an objective one.

Provision 1.5

On 27 February 2020, the Company announced that it will not be performing quarterly reporting of its financial results as it is not required to do so. Notwithstanding, the Board will continue to meet at least quarterly to review and consider the Group's key activities, strategies and financial performance. The Board will also continue to meet and approve the release of the unaudited financial results of the Group on a half-yearly basis. The schedule of upcoming Board meetings is planned well in advance. Besides the scheduled Board meetings, the Board also meets on an ad-hoc basis as often as may be necessary to discuss the business affairs of the Group or when warranted by particular circumstances, and to approve, if applicable, any business objectives and strategies.

CORPORATE GOVERNANCE REPORT

The Company's Constitution allows for Directors to participate in Board and Board Committee meetings by means of teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

The number of Board meetings and Board Committees meetings held in the financial year under review and the attendances of the Directors at these meetings are set out below:

Name of Director	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Teh Wing Kwan(1)	5	5	N/A	N/A	1	1	N/A	N/A
Chan Yu Meng(2)	5	5	4	4	1	1	1	1
Fong Heng Boo(3)	5	5	4	4	1	1	1	1
Weng Hua Yu @ Simon Eng(4)	5	5	4	3	N/A	N/A	1	1

Note:

(1) Mr Teh Wing Kwan was re-elected as a Director on 25 April 2019 and was appointed as a member of the Audit Committee with effect from 27 February 2020. The rationale for appointment of Mr Teh Wing Kwan as a member of the Audit Committee was disclosed in the announcement dated 27 February 2020.

(2) Mr Chan Yu Meng was re-elected as a Director on 25 April 2019.

(3) Mr Fong Heng Boo was re-elected as a Director on 25 April 2019.

(4) Mr Weng Hua Yu @ Simon Eng voluntarily resigned as a Board member on 31 December 2019.

As an Executive Director, Mr Teh Wing Kwan attended the meetings of the AC and the RC by invitation.

The CEO also updates the Board at each Board meeting on business and strategic developments pertaining to the Group's business. Provision 1.5

Directors with multiple board representations have ensured that sufficient time and attention were given to the affairs of the Company in order to fulfil their responsibilities and duties to the Company and its Shareholders.

CORPORATE GOVERNANCE REPORT

Directors' Access to Information

Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is essential to the Board's effective and efficient discharge of its duties. All Directors are, from time to time, furnished with information concerning the Company to enable them to be provided with timely, complete and adequate information by the Management. Provision 1.6

Directors are also furnished with information on matters to be considered at Board and Board Committees meetings through the circulation of comprehensive Board papers to ensure that they are fully cognizant of the decisions and actions of the Company's Management. The Board papers include sufficient background and explanatory information on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board meetings. Where appropriate, senior members of the Management or external consultants engaged on specific projects provide explanatory information in the form of briefings to the Directors or formal presentations at Board meetings.

Directors make all necessary enquiries and request from Management additional information as may be required to make informed decisions and effectively discharge their responsibility as Directors.

The Directors, in furtherance of their duties, are allowed to seek and obtain legal and other independent professional advice, if necessary, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their roles and responsibilities as Directors.

The Board has unrestricted access to the Company's records and information. The Directors have separate and independent access to the Company's senior Management. The Board is also entitled to request from Management and is, upon request, provided with such additional information needed to make informed decisions. Management provides such additional information to the Board in a timely manner. Provision 1.7

The Directors also have separate and independent access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and the removal of the Company Secretary is a matter for the Board to decide as a whole.

The Company Secretary (or his or her representative) administers, attends and prepares minutes of all the Board and Board Committees meetings and assists the Chairman of the Board and/or the AC, NC and RC in ensuring proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. The Company Secretary's responsibilities include advising the Board on corporate and administrative matters, as well as facilitating orientation and assisting with professional development as required.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Guidance

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

Members of the Board of Directors

As at the date of this CG Report, the Board comprises one (1) Executive Director and two (2) Independent Directors. Independent Directors therefore make up the majority of the Board. Details of the Directors are set out below as required under Rule 1207(10B) of the Listing Rules:

Provision 2.3 & Listing Rule 1207(10B)

Name of Director	Designation	Date of First Appointment	Date of Last Re-Election	AC	NC	RC
Teh Wing Kwan[(1)]	Non-Executive Chairman Executive Chairman and CEO	27 June 2018 24 July 2018	25 April 2019	Member	Member	N/A
Fong Heng Boo	Lead Independent Director	20 July 2018	25 April 2019	Chairman	Chairman	Member
Chan Yu Meng	Independent Director	20 July 2018	25 April 2019	Member	Member	Chairman

Notes:

(1) Mr Teh Wing Kwan was appointed as Non-Executive Director and Non-Executive Chairman on 27 June 2018 and re-designated as the Executive Chairman and CEO on 24 July 2018. He was appointed as a member of the Audit Committee with effect from 27 February 2020. The rationale for appointment of Mr Teh Wing Kwan as a member of the Audit Committee was disclosed in the announcement dated 27 February 2020.

(2) In respect of the financial year under review, the Board comprised four (4) members. Mr Weng Hua Yu @ Simon Eng voluntarily resigned as a Board member on 31 December 2019.

It is a requirement of the Code that Independent Directors should make up the majority of the board where the Chairman of the board: (i) is not an Independent Director; (ii) is also the CEO of the Company (or equivalent); (iii) is an immediate family member to the CEO; (iv) and the CEO have close family ties with each other (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the NC; or (v) is part of the management team.

Provision 2.2

Mr Teh Wing Kwan, as the Company's Executive Chairman and CEO, is not considered independent. Accordingly, Independent Non-Executive Directors do in fact make up a majority of the Board, and provide a strong and independent element on the Board.

CORPORATE GOVERNANCE REPORT

Independence of Directors

Provision 2.1

Independent Directors provide independent judgment on the corporate affairs of the Group as well as diverse and objective perspectives to enable balanced and well-considered decisions to be made. In particular, the Independent Non-Executive Directors constructively challenge and help develop proposals on the Group's strategies, review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. The Board is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The independence of each Director is reviewed annually by the NC in accordance with the definitions of independence under the Code and the Listing Rules.

Each Director is required to complete a Director's independence checklist on an annual basis to confirm his/her independence. The Director's independence checklist is drawn up based on the provisions provided in the Code and the Listing Rules, and requires each Director to assess whether he/she considers himself/herself independent despite not being involved in any of the relationships identified in the Code and the Listing Rules. The NC then reviews the Director's independence checklist to determine whether each Director is independent.

In its deliberation as to the independence of a Director, the NC took into account examples of relationships as set out in the Code, and is satisfied that the Independent Directors are independent in character and judgement and that they do not have any relationships with the Company, its related companies, its 5% Shareholders or its officers, nor are there any circumstances, that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

In determining Directors' independence, the Board further considered Rule 210(5)(d)(i) and (ii) of the Listing Rules. Pursuant thereto, the Board considered an Independent Director as one who was not or has not been employed by the Company or any of its related corporations for the current financial year or any of the past three (3) financial years. An Independent Director would also not have an immediate family member who has been employed by the Company or any of its related corporations in the current financial year or for any of the past three (3) financial years, and whose remuneration was determined by the RC of the Company. In this report, the term "**immediate family**" shall carry the same meaning as defined in the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Independent Directors have declared their independence for FY2019, pursuant to their compliance with the guidelines under the Code and with Rule 210(5)(d)(i) and (ii) of the Listing Rules.

In addition, none of the current Independent Directors has served on the Board beyond nine (9) years from the respective date of their first appointment.

As a whole, the Board, with the recommendation and concurrence of the NC following from its annual review, has reviewed and determined that Mr Fong Heng Boo and Mr Chan Yu Meng are independent.

The NC is responsible for examining the size and composition of the Board and Board Committees. In respect of the financial year under review, the Board comprised four (4) members. Having considered the scope and nature of the Group's business and the requirements of the business in the financial year under review, the Board believed that its Board size and the existing composition of the Board Committee were appropriate in the financial year under review. Provision 2.4

The Company announced on 31 December 2019 the voluntary resignation of Weng Hua Yu @ Simon Eng. With Mr Eng's resignation, the Board and the NC have endeavoured to search for suitable candidate(s) to be appointed to the Board and to fill the vacancy in the AC and RC to ensure compliance with applicable laws, the Listing Rules and the Code.

The Company further announced on 27 February 2020 that

- Mr Teh Wing Kwan, the Executive Chairman and CEO, has been appointed as the third member of the AC;

- The NC is still searching for potential candidate(s) who is/are of a right fit for the Company keeping in mind that the Company should not hasten such an appointment of additional AC member to more effectively manage its existing limited resources while it is evaluating its potential acquisition strategies as the suitable candidate for AC member should carry the relevant skills and competencies; and

- Notwithstanding the appointment of Mr Teh Wing Kwan to the AC, the Company will continue to endeavour, through the appointment of appropriate candidate(s) as aforementioned, to comply with Provisions 6.2 and 10.2 of the Code, which provides that the AC and the RC shall each comprise at least three (3) Directors, all of whom shall be Non-Executive Directors. It is intended that Mr Teh Wing Kwan shall cease to be an AC member once additional Non-Executive Director(s) is/are appointed to the Board in due course.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board's policy in identifying director nominees is primarily to have an appropriate balance and mix of Directors with complementary skills, knowledge, experience and core competencies for the Group. The Board also has regard to other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

In respect of the financial year under review wherein the Board comprised of four (4) members, the Board considered its composition appropriate, taking into account the nature and scope of the Group's operations and requirements of the business at the time. The Board also considered the size ideal for effective debate and decision-making. The Directors bring with them a wide spectrum of industry knowledge and skills, experience in accounting, finance, legal and business strategies, management expertise, customer-based experience, knowledge of the Group and objective perspective to effectively lead and direct the Group. Profiles of the Directors are set out in this Annual Report.

As previously guided, the Company continues to manage its trading business prudently and conserve resources while it is in the midst of evaluating projects and other key acquisition strategies for its turnaround plans. Taking into account the nature and scope of the Group's operations and requirements of the business in the current financial year ending 31 December 2020 and bearing in mind the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board is of the view that in the current financial year ending 31 December 2020, there is sufficient diversity in skills, experience and knowledge of the Company in its current Board composition to maximise effectiveness.

The Board further recognises the importance and value of gender diversity and will take into consideration the skill sets and experience including gender diversity for any future Board appointments. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors and Board succession planning.

In order to maintain or enhance its balance and diversity, the Board will take the following steps:

- annual review (or such earlier review as may be appropriate should the Group's operations and requirements of the business experience material expansion, whether through mergers and acquisition and/or organic growth) by the NC to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

- annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

CORPORATE GOVERNANCE REPORT

At least once a year, the non-Executive Directors meet without the presence of Management and the Executive Director, to review any matters that they wish to raise privately, constructively challenge and help develop proposals on company strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The chairman of such meetings provides feedback to the Board and/or Executive Chairman as appropriate. Provision 2.5

Principle 3: Chairman and Chief Executive Officer

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

Mr Teh Wing Kwan is both the Chairman and the CEO of the Company. Provision 3.1

Given (i) the number of manpower and limited amount of business the Group currently operates (i.e the existing business in relation to the trading of exchange-regulated metal products); and (ii) the Company's recent corporate plans for its acquisitional growth and business diversification strategies (the "**Turnaround Strategies**") under the leadership of Mr Teh Wing Kwan, the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the commercial discussions and management decision-making process of the Group relating to the Turnaround Strategies would not be unnecessarily delayed.

Notwithstanding the adoption of this single leadership structure, material matters and corporate actions are still subject to final approval of the Board. All major proposals and decisions made by the Chairman and the CEO are discussed and reviewed by the Board as a whole. Mr Teh Wing Kwan's performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC.

Responsibilities of the Chairman

The Chairman is responsible for the effective conduct of Board meetings. The Chairman's responsibilities in respect of Board proceedings include: Provision 3.2

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promoting a culture of openness and debate at the Board;

(d) ensuring that the Directors receive complete, adequate and timely information;

(e) ensuring effective communication with Shareholders;

(f) encouraging constructive relations within the Board and between the Board and Management;

CORPORATE GOVERNANCE REPORT

(g) facilitating the effective contribution of Non-Executive Directors in particular; and

(h) promoting high standards of corporate governance.

The Chairman ensures effective communication within the Board and between the Board and Shareholders. The Chairman's responsibilities include setting the Board agenda and conducting effective Board meetings.

Responsibilities of the CEO

As the CEO of the Company, Mr Teh Wing Kwan is responsible for corporate affairs, corporate finance and overseeing the overall management and strategic development of the Group. Mr Teh Wing Kwan reports to the Board and ensures that policies and strategies adopted by the Board are implemented.

Lead Independent Director

The Board has appointed Mr Fong Heng Boo as the Lead Independent Director to provide leadership where the Chairman is conflicted. Provision 3.3

Mr Fong Heng Boo facilitates communication within the Board and between the Board and Shareholders where necessary. Further, Mr Fong Heng Boo's responsibilities include chairing Board meetings in the absence of Mr Teh Wing Kwan, working with Mr Teh Wing Kwan in leading the Board, and providing a channel to Non-Executive Directors for confidential discussions on any concerns and to resolve any conflicts of interests as and when necessary.

Mr Fong Heng Boo 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.

Principle 4: Board Membership

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

NC's Key Terms of Reference

The NC is guided by a set of written terms of reference, and its principal functions as set out in its' key terms of reference are as follows: Provision 4.1

(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;

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(c) the review of training and professional development programs for the Board and its Directors; and

(d) the appointment and re-appointment of Directors (including alternate Directors, where applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

No alternate directors have been appointed to the Board.

Composition of NC

The NC comprises three (3) Directors, of which two (2) are Independent Directors: Provision 4.2

- Fong Heng Boo (Chairman)
- Chan Yu Meng (Member)
- Teh Wing Kwan (Member)

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

Re-appointment of Directors

All Directors, including the CEO, must submit themselves for re-nomination and re-appointment at regular intervals of at least once in every three (3) years. Listing Rule 720(5)

In accordance with Regulation 108 of the Company's Constitution, newly appointed Directors would be required to submit themselves for re-nomination and re-election at the forthcoming annual general meeting ("**AGM**"). Regulation 104 of the Company's Constitution requires at least one-third of the Directors to retire by rotation at each AGM, provided that all Directors shall retire from office at least once every three (3) years.

Mr Weng Hua Yu @ Simon Eng has voluntarily resigned from the Board on 31 December 2019. Mr Fong Heng Boo shall retire pursuant to Regulation 104 of the Company's Constitution at the forthcoming AGM.

Mr Fong Heng Boo has given his consent to remain in office and will submit himself for re-election at the forthcoming AGM.

Pursuant to Rule 720(6) of the Listing Rules, additional information on the Directors seeking election/re-election has been set out in the section titled "Additional Information on Directors Seeking Election/Re-Election" in this Annual Report.

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Selection, Appointment and Re-appointment Process

The NC's process for the selection, appointment and re-appointment of Directors takes into consideration the composition and progressive renewal of the Board as well as each Director's competencies, commitment, contribution and performance. Provision 4.3

The search and nomination process for new Directors, if any, will be through search companies, contacts and recommendations to cast its net as wide as possible for the right candidate. The NC determines the selection criteria in consultation with the Board and identifies candidates with the appropriate expertise and experience for the appointment as new Director. The NC will shortlist candidates for interview before nominating the most suitable candidate to the Board for approval. The NC will evaluate a Director in accordance with a set of criteria approved by the Board before recommending him/her to the Board for re-election. As recommended by the NC, a new Director can be appointed by way of a Board resolution. Such Directors must present themselves for re-election at the next AGM of the Company as required under the Company's Constitution.

In identifying new appointees as Directors, the NC considers the range of skills and experience required of Directors in the light of:

(a) the geographical spread and diversity of the Group's businesses;

(b) the strategic directions and advancement of the Group;

(c) the current composition of the Board; and

(d) the need for a strong and independent element on the Board.

The Company is of the view that the collection of skills, experience and diversity of the current Board meets the current needs of the Company. Please refer to our disclosure in respect of Provision 2.4 above for further details.

The Company announced on 27 February 2020 that the NC is still searching for potential candidate(s) who is/are of a right fit for the Company keeping in mind that the Company should not hasten such an appointment of additional AC member to more effectively manage its existing limited resources as the suitable candidate for AC member should carry the skills and competencies relevant to the industry in which the Company is evaluating its potential acquisition strategies.

The NC reviews and affirms the independence of the Company's Independent Directors annually. Please refer to our disclosure in respect of Provision 2.1 above for further details. Provision 4.4

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Multiple Directorships

The NC ensures that new Directors are aware of their duties and obligations. Please refer to our disclosures in respect of Provision 1.2 above with regard to new Directors' induction into the Board, briefing on their duties and the receipt of mandatory training as prescribed by the SGX-ST. Provision 4.5

The Board and the NC determine annually the number of directorships and principal commitments of each Director in assessing whether he is able to or has been adequately carrying out his duties. All Directors are required to declare their board representations and other principal commitments outside of the Group.

The NC takes into account the attendance and contributions of the Directors at Board and Board committee meetings, the level of commitment required of the Director's other principal commitments, the degree of complexity of the other listed companies where the Director holds directorships, the expectations of the Director's obligations in the capacity as director in other organisations, the results of the assessment of the effectiveness of the Board as a whole and Board committees, and the respective Directors' actual conduct and participation on the Board and its Board committees, in making its determination.

In respect of the financial year under review, the NC was of the view that each Director has given sufficient time and attention to the affairs of the Company and has been able to discharge his duties as a Director effectively. The NC noted that based on the Directors' attendance at the Board and Board committee meetings during the financial year under review, all the Directors were able to participate in at least a substantial number of such meetings to carry out their duties. The NC is satisfied that all the Directors have been able to and have adequately carried out their duties notwithstanding their multiple board representations where applicable and other principal commitments.

The NC and the Board are of the view that it is not meaningful to set a limit on the number of listed Company board representations a Director should have as the contribution of each Director would depend on their individual circumstances, including whether they have a full-time vocation or other responsibilities. Further, the Directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. Instead, the NC will assess each potential or existing Director relative to his/her abilities and known commitments and responsibilities. Specific considerations are also given to their attendance, contactability and responsiveness, as well as contributions and individual capabilities.

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As at the date of this CG Report, key information regarding the Directors' profiles, including directorships or chairmanships both present and those held over the preceding five (5) years in other listed companies, and other principal commitments, are set out below:

Name of Director	Date of appointment of Directorships or Chairmanships in the Company	Directorships or Chairmanships in other listed companies and other principle commitments	
		Present	**Past 5 years**
Teh Wing Kwan	Appointed as Non-Executive Chairman on 27 June 2018 Re-designated as CEO and Executive Chairman on 24 July 2018	China Vanadium Titato-Magnetite Mining Company Limited (HKEx) Koda Ltd (SGX) – *appointed as Advisor*	Sapphire Corporation Limited (SGX) Singapore eDevelopment Limited (SGX-Catalist) Asian American Medical Group Limited (previously known as Asian Centre For Liver Diseases & Transplantation Limited) (ASX) Heng Fai Enterprises Limited (currently known as ZH International Holdings Limited) (HKEx)
Foo Heng Boo	20 July 2018	Colex Holdings Limited (SGX) CapitaLand Retail China Trust Management Limited (SGX) Shengye Capital Ltd (HKEx) TA Corporation Ltd (SGX) Kwan Yong Holdings Limited (SGX) (effective 1 April 2020)	Pteris Global Limited (SGX) Sapphire Corporation Limited (SGX) Asian American Medical Group Limited (ASX)
Chan Yu Meng	20 July 2018	NIL	Singapore eDevelopment Limited (SGX) PSL Holdings Limited (SGX)

The shareholdings in the Company of the Directors are set out in the Directors' Statement.

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Principle 5: Board Performance

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

The Board recognises the merit of having some degree of formal assessment of the effectiveness of the Board as a whole and the Directors individually. The NC has considered the provisions contained in the Code and formulated a plan to evaluate the effectiveness of the Board as a whole, each Board Committee separately as well as the contribution by the Chairman and each individual Director using a set of objective performance criteria (the "**Evaluation Plan**"). Provision 5.1

The Evaluation Plan allows for comparison with industry peers and evaluates how the Board has enhanced long-term Shareholder value.

Evaluation of Board Performance

In line with the principles of good corporate governance, the NC adopts, with the approval of the Board, the Evaluation Plan to evaluate the effectiveness of the Board as a whole, its Board Committees, and the contribution by the Chairman and each individual Director to the effectiveness of the Board. Each Director is required to individually complete a board evaluation form (the "**BEF**") annually, to facilitate the NC in its assessment of the overall effectiveness of the Board. Through the BEF, feedback is collated from the Board on various aspects of the Board's performance. In particular, the BEF facilitates an assessment of whether each Director is willing to and able to constructively challenge and contribute effectively to the Board, and demonstrate commitment to his roles on the Board and/or Board Committee(s) (including commitment of time for meetings of the Board and Board Committees, and any other duties). The NC reviews the feedback collated from the BEF and recommends steps which need to be taken to strengthen the Board's stewardship. Provision 5.2

The individual director evaluation exercise will be reviewed by the Chairman in consultation with the NC, and assists them in determining whether to re-nominate Directors who are due for retirement at the forthcoming AGM, and in determining whether Directors with multiple board representations are able to and have adequately discharged their duties as Directors of the Company. The Board also receives regular reports from the Board Committees on their activities.

For the financial year under review, an evaluation of the the effectiveness of the Board as a whole, its Board Committees, and the contribution by each individual Director to the effectiveness of the Board, was conducted. Following the evaluation, the Board is of the view that the Board and its Board Committees operate effectively, and each Director is contributing to the overall effectiveness of the Board.

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Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a Director.

(B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

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

RC's Key Terms of Reference

The RC is guided by a set of written terms of reference, and its principal responsibilities as set out in its' key terms of reference include the following: Provision 6.1

- reviews and recommends to the Board a general framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and 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;

- reviews and recommends to the Board the terms of service agreements of the Directors; and

- administers the Company's employee performance shares scheme and employee share option scheme.

The RC considers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director as well as for the key management personnel, to ensure they are fair. Provision 6.3

The members of the RC shall ensure that each Director is not involved in deciding his own remuneration.

The RC reviews the Company's obligation arising in the event of termination of key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

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Composition of RC

The RC comprises two (2) Non-Executive and Independent Directors: Provision 6.2

- Chan Yu Meng (Chairman)
- Fong Heng Boo (Member)

Following the resignation of Mr Weng Hua Yu @ Simon Eng as a member of the RC with effect from 31 December 2019, the Board and the NC shall endeavour to search for suitable candidate(s) to be appointed to the Board and to fill the vacancy in the RC to ensure compliance with applicable laws, the Code and the Listing Rules. Please also refer to our disclosure in respect of Provision 2.4 above.

Remuneration consultant(s)

The RC can seek expert advice on remuneration of all Directors from outside the Company, if necessary. For the financial year under review, no remuneration consultant was appointed by the RC. Provision 6.4

Principle 7: Level and Mix of Remuneration

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

Remuneration Policy

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the RC. The RC will review annually all aspect of remuneration, including Directors' fees, salaries, allowance, bonuses and benefits in kind to ensure that the remuneration packages are appropriate in attracting, retaining and motivating the managers and the Directors capable of meeting the Company's objectives and to reflect their duties and responsibilities. Provision 7.1

The Group's remuneration policy is to provide compensation packages at market rates to reward successful performance and attract, retain and motivate managers and Directors. The remuneration packages take into account the performance of the Group and the individual Directors.

In recommending the remuneration packages of the Executive Director and key management personnel, the RC is largely guided by the financial performance of the Company and the Group. The remuneration for the Executive Director comprises a basic salary and a variable component which comes in the forms of an annual bonus and share options or performance shares. The service contract for the Executive Director does not contain clauses that make his removal onerous.

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As part of its efforts to link rewards to corporate and individual performance in relation to Management's remuneration, the Group had introduced long-term incentive schemes. The Shareholders had approved the adoption of two long-term incentive schemes, a Citicode Performance Shares Scheme ("**Citicode PS Scheme**") and an Employee Share Option Scheme ("**Share Option Scheme**").

The Share Option Scheme is for eligible employees, executive Directors and non-executive Directors. However, the Citicode PS Scheme is a plan only for eligible executives and Executive Directors.

The RC has been given the responsibility to administer both the Citicode PS Scheme and Share Option Scheme. Please refer to the section titled "Directors' Statement" for further details on the Citicode PS Scheme and the Share Option Scheme.

Currently, the Company does not have any incentive components of remuneration for its Executive Director and key management personnel. Hence, there are currently no contractual provisions to allow the Company to reclaim such incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. In the event that such incentive components of remuneration are structured for the Executive Director and key management personnel in the future, the Company shall review the feasibility of having such contractual provisions in future (as supplemental to existing contracts of service) as recommended by the Code.

The Independent Directors are paid yearly Directors' fees which are determined by the Chairman on the recommendation of the RC, based on the effort and time spent, and their responsibilities. These fees are subject to Shareholders' approval at each AGM of the Company. Provision 7.2

The RC exercises broad discretion and independent judgement in ensuring that the amount and mix of Directors' remuneration are aligned with the interests of Shareholders, promote the long-term success of the Company and recognises the performance, potential and responsibilities of each individual Director. The mix of fixed and variable reward is considered appropriate for the Group and for each individual Director. The performance-related remuneration structure is directly linked to corporate and individual performance. The RC also recognises the need for a reasonable alignment between risk and performance-related remuneration to discourage excessive risk taking. As such, in determining the performance-related remuneration structure, the RC took into account the risk policies and risk tolerance of the Group, and whether such remuneration was symmetric with risk outcomes and sensitive to the time horizon of risks. Provision 7.3

The RC will review annually all aspect of remuneration, including Directors' fees, salaries, allowance, bonuses and benefits in kind to ensure that the remuneration packages are appropriate in attracting, retaining and motivating the managers and the Directors capable of meeting the Company's objectives and to reflect their duties and responsibilities.

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Principle 8: Disclosure on Remuneration

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

Provision 8.1

The Company continues to manage its trading business, implement business diversification plans, and is evaluating key acquisition strategies and other strategic collaboration opportunities as part of its corporate transformation plans (the "**Strategic Plans**"). Given so, the Company is and will remain as an investment management and holding company under the Strategic Plans, which the Company sees human capital a key factor in giving it a competitive advantage. Therefore, disclosure of details in excess of the below details may be detrimental to its business interests having regard to the highly competitive human resource environment. The Company strongly believes that it is of strategic importance now to assemble and build a strong and stable management team, which may include (i) reorganisation of certain job functions for improving work efficiencies and (ii) potentially recruiting new corporate positions in line with the Strategic Plans. As such, remuneration matters are commercially sensitive.

The Company however notes the need for corporate transparency in the remuneration disclosures. As such, the Company has disclosed the remuneration of its Executive Director and key management personnel in narrower bands of S$110,000, and in bands of S$30,000 for its Non-Executive Directors, in order to allow Shareholders to have a better understanding of the remuneration packages of its Directors and key management personnel while preserving the business interests of the Group.

Mr Teh Wing Kwan, as a substantial Shareholder, Executive Chairman and CEO of the Company, has voluntarily offered to defer his pay during the financial year under review, as the Company is still in the midst of implementing its Strategic Plans.

Meanwhile, the RC had reviewed the remuneration of the Directors and the key management personnel, having regard to their contributions as well as the financial needs of the Company. The RC is of the view that the remuneration policy and amount payables to the Directors and salaries for other key management personnel are adequate and are reflective of the present market conditions, the present operating environment and business activities of the Company.

The Company currently only has two (2) employees. The annual aggregate amount of the total remuneration paid or payable in the financial year under review was approximately S$132,000.

The RC has recommended to the Board an amount of S$37,000 as Directors' fees for the financial year ending 31 December 2020. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

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Level and Mix of Remuneration

Details of remuneration and fees paid by the Group to the Directors and key management personnel in the financial year under review are set out below:

Name of Directors	Remuneration Band	Salary (%)	Bonus (%)	Fee (%)	Allowances and other benefits in kind (%)	Total (%)
Executive Directors						
Teh Wing Kwan[(1)]	Below S$30,000	100	–	–	–	100
Non-Executive Directors						
Fong Heng Boo	Below S$30,000	–	–	100	–	100
Chan Yu Meng	Below S$30,000	–	–	100	–	100
Weng Hua Yu @ Simon Eng[(2)]	Below S$30,000	–	–	100	–	100
Key Management						
Sim Li Ling	Below S$110,000	100	–	–	–	100

Notes:

(1) As part of the financial support to the Company, Mr Teh Wing Kwan, as a substantial Shareholder, Executive Chairman and CEO of the Company, has voluntarily offered to defer his pay during the financial year under review aside from providing a total interest-free loans and advances of approximately S$488,586 to the Company as at 31 December 2019.

(2) Mr Weng Hua Yu @ Simon Eng voluntarily resigned as a Board member on 31 December 2019.

There are no employees who are immediate family members of the Directors, the CEO or substantial shareholders of the Company receiving more than S$100,000 in remuneration in the financial year under review. Provision 8.2

Forms of remuneration and other payments and benefits

Please refer to our disclosure in respect of Provision 8.1 above. Persons from our Group (whether Director or key management personnel) who are appointed as Directors to the Company's subsidiaries comprise only Mr Teh Wing Kwan, who apart from receiving his remuneration from the Company, does not receive any further remuneration from any other companies within the Group. Provision 8.3

No employees or Directors of the Company are entitled to any termination, retirement or post-employment benefits.

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The remuneration components of the Executive Director and key management personnel comprise the annual fixed cash, discretionary bonus and the long-term incentives.

The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks against the relevant industry market data, where available. The discretionary bonus is tied to the performance of the Company, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives are subject to include benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-à-vis industry performance.

The Citicode PS Scheme and Share Option Scheme are the Group's long-term incentive plan. Conditions to entitlement to such long-term incentive include assessment and recognition of potential performance and enhancement to asset value and shareholder value over time, taking into consideration current and future plans of the Company.

In the financial year under review, the performance conditions for the short-term incentives were generally not met as the Company is still in the midst of implementing the Strategic Plans.

There were also no share awards or share options granted under the Citicode PS Scheme and Share Option Scheme during the financial year under review.

For the financial year under review, the remuneration package of the Company's only Executive Director, who is also the CEO, is based on terms stipulated in his service contract. The CEO's service contract with the Company is for a fixed period. The Executive Director does not receive any Directors' fee.

Relationship between remuneration, performance and value creation

The Citicode PS Scheme was adopted by the Company at an extraordinary general meeting held on 13 July 2007 and renewed by the Company at the AGM held on 29 April 2016 and is valid for a maximum duration of ten (10) years commencing from 29 April 2016. The Share Option Scheme was adopted by the Company at an extraordinary general meeting held on 20 September 2004 and re-adopted on 30 April 2015 and can continue in operation for a maximum duration of ten (10) years commencing from 30 April 2015. Please also refer to our disclosure in respect of Provision 7.1 above.

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Employee Share Option Scheme

The objectives of the Share Option Scheme are, inter alia:

- to motivate directors and employees of the Group and Associated Companies to greater dedication, loyalty and higher performance standards and efficiency and to maintain a high level of contribution to the Group; and

- to give recognition to the contributions made or to be made by those who have contributed significantly to the growth and performance of the Company and the Group.

In general, the following persons are eligible to participate in the Share Option Scheme:

- Group employees (including executive Directors) and non-executive Directors; and

- employees who are controlling Shareholders and their associates, provided that a separate resolution by independent Shareholders is passed for the participation of each controlling Shareholder or his associate and approving the actual number of and terms of such options granted to each controlling Shareholder or his associate.

Directors and employees of the Company's parent company and its subsidiaries (other than the Company and the Company's subsidiaries) are not entitled to participate in the Share Option Scheme.

Other salient information relating to the Share Option Scheme is set out below:

- The total number of new shares which may be issued pursuant to options granted under the Share Option Scheme and awards granted under the Citicode PS Scheme on any date shall not exceed 15% of the total number of issued share capital of the Company on the day immediately preceding the date of grant.

- The exercise price of the options granted pursuant to the Share Option Scheme will be determined by the RC in its absolute discretion. The RC may grant incentive options ("**Incentive Options**") to the participants at up to a 20% discount to the market price of the new shares.

- "Market Price" refers to a price equal to the average of the last dealt prices for a share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive market days immediately prior to the date on which the share option is granted, provided always that in the case of a market day on which the shares are not traded on the SGX-ST, the last dealt price for shares on such market day shall be deemed to be the last dealt price of the shares on the immediately preceding market day on which the shares were traded, rounded up to the nearest whole cent in the event of fractional prices.

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- In general, an option granted at Market Price can be exercised during the period commencing after the first anniversary of the date on which the share option is granted, and expiring on the tenth anniversary of the date on which the share option is granted. However, an option granted at Market Price granted to a participant not holding a salaried office or employment in the Group will expire on the fifth anniversary of the date on which the share option is granted. An Incentive Option can be exercised during the period commencing after the second anniversary of the date on which the share option is granted and expiring on the tenth anniversary of the date on which the share option is granted. However, an Incentive Option granted to a participant not holding a salaried office or employment in the Group will expire on the fifth anniversary of the date on which the share option is granted.

Further details on the Share Option Scheme are set out in the Company's circular dated 15 April 2015.

Please refer to the section titled "Directors' Statement" for details on the options granted and exercised during the financial year under review pursuant to the Share Option Scheme.

Performance Share Scheme

The objectives of the Citicode PS Scheme are, *inter alia:*

- to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance;
- to allow the Company to remain an attractive and competitive employer and be better positioned to manage its fixed overhead costs without compromising on performance standards and efficiency; and
- to foster an ownership culture within the Group, by aligning the interests of employees of the Company and its subsidiaries and non-executive Directors with the interests of Shareholders.

In general, the following persons are eligible to participate in the Citicode PS Scheme:

- employees of the Company and its subsidiaries who have been employed for a minimum of one (1) year or such shorter period as the RC may determine and have attained the age of twenty-one (21) years on or before the date of commencement of the Citicode PS Scheme;
- executive Directors of the Company and its subsidiaries; and
- non-executive Directors (including independent Directors) of the Company and its subsidiaries.

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Other salient information relating to the Citicode PS Scheme is set out below:

- The aggregate number of shares to be delivered pursuant to the vesting of the awards on any date under the Citicode PS Scheme, when added to the number of shares issued and/or issuable under any other share-based incentive schemes (including the Share Option Scheme) of the Company shall not exceed 15% of the issued shares of the Company on the day preceding that date.

- The award of shares of the Company ("**Awards**") under the Citicode PS Scheme will be determined at the sole discretion of the RC. In considering the grant of an award of shares, the RC may take into account, inter alia, the participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill sets, compensation and/or benefits given or to be given to the participant under the Citicode PS Scheme and any other concurrent share-based incentive schemes implemented the Company.

- Awards represent the right of a participant to receive fully paid shares of the Company free of charge, upon the participant achieving prescribed performance targets. Performance targets set under the Citicode PS Scheme are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

- Upon the expiry of the prescribed performance period and subject to conditions as set out in the Company's circular dated 20 June 2007, the award of shares of the Company under the Citicode PS Scheme shall vest and the RC will release to the participant the shares comprised in the award, subject to the terms of the award. An award shall nevertheless be given to a participant for as long as he has fulfilled his performance targets and notwithstanding a transfer of his employment to another company within the Group or any apportionment of his performance targets within any company within the Group.

Further details on the Citicode PS Scheme can be found in the Company's circular dated 20 June 2007.

Since the implementation of the Citicode PS Scheme, no award of performance shares has been granted to Directors of the Company and employees under the Citicode PS Scheme.

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(C) ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

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

Internal Control Systems

The Board recognises that it is responsible for ensuring that the Management maintains a sound system of internal control to safeguard Shareholders' investments and the Group's business and assets. The Board determines the Company's level of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of a sound risk management and internal control systems. Provision 9.1

The Board acknowledges that it is responsible for the overall internal control framework, and carries out a review on the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) at least annually, but recognises that no internal control system can ever preclude all errors and irregularities. An internal control system is designed to manage rather than eliminate the risk of not achieving business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board believes that in the absence of any evidence to the contrary, and from due enquiry, the system of internal controls and risk management system that has been maintained by the Management is adequate to meet the needs of the Group in its current business environment.

The Company's external auditors ("**EA**") are Foo Kon Tan LLP. As part of the annual statutory audit, the EA will review and highlight any material weaknesses in internal controls over the areas which are significant to the audit. Any material non-compliances or failures in internal controls and recommendations for improvements are reported to the AC in the form of a letter addressed to the AC. The AC also reviews the effectiveness of the actions taken on the recommendations made by the EA in this respect, if any.

The Company has established and maintains on an ongoing basis, an internal audit function that is adequately resourced and independent of the activities it audits, as required under Rule 719(3) of the Listing Rules. The Board has engaged Yang Lee & Associates ("**YLA**"), the outsourced internal auditor ("**IA**") for the Group, during the financial year under review, to conduct an internal audit on selected key risk areas of the Group and to make recommendations to enhance the internal control systems. Please refer to our disclosure in respect of Provision 10.4 below for further details.

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In reviewing the Company's current system of internal controls and risk management, the AC has also taken into consideration of the fact that the Group only trades with certified contracts which are listed on the London Metal Exchange ("**LME**") in order to minimise risks relating to procurement practices for its existing trading business and giving added level of assurance as guided within the framework of LME.

The Board relies on internal audit reports and the management letter prepared by the external auditors to report on any material non-compliance or internal control weaknesses. In line with the requirements under Rule 1207(10) of the Listing Rules, for the financial year under review, based on the risk management systems and internal controls established and maintained by the Group, work performed by the internal and external auditors, review of the internal audit plan and the internal auditors' evaluation of the system of internal controls and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective as at 31 December 2019 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment.

Based on the performance of the Group and considering the industries in which the Group operates during the financial year under review, the Group has adopted a much prudent approach in managing its trading business and evaluating projects bidding opportunities under the existing market conditions, but remains cautiously optimistic in pursuing acquisitional growth strategy towards enhancing Shareholder value over a longer term. Please also refer to the "Chairman & CEO's Statement" portion of this Annual Report for further details.

Risk Management

The Company is aware that each business and transaction of operation carries risk whether internally and/or externally in the form of environmental, operational, financial and/or Management decision making risk. Other risks would include legal risk and strategic risk (the risk of a loss arising from a poor strategic business decision). The Group has identified certain key operational risks in relation to its existing commodities trading business (as disclosed below).

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No separate risk committee has been established as the AC has assumed the responsibility of the risk management function and oversees the overall adequacy and effectiveness of the Company's risk management systems and procedures. The Management will continue to evaluate at regular intervals, on other relevant key business risks as may be applicable to the Company's new businesses from time to time that internal audit reports shall focus on, including operational effectiveness of the material controls in managing these risks in the future upon implementation of the new business strategies. The Company also reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

The AC may engage a professional service firm to setup a formal risk management framework for the Company as and when appropriate. Under such a framework, periodic enterprise risk assessments, will be performed no less frequently than annually in relation to the new businesses upon implementation of the business diversification and other strategic acquisition plans. The enterprise risk management framework aims to present the risk assessment of the Group by key managers of the Group based on an evaluation of the likelihood and magnitude of the eventuation of certain risks the Group faces. The risks will subsequently be ranked in accordance of priority and category, and the recommendations of the internal auditor and responses of and steps taken to address such risks by the Management will be presented to the AC for consideration.

Key Operational Risks (Trading Business)

The Board is aware of the operational risks which may adversely affect the Group's existing business of trading of exchange-regulated metal products and believes that it is important to highlight the key risk factors pertaining thereto for the Shareholders' information in the event that any of these risk factors and uncertainties materialise into actual events *(Please note that most, if not all, of the following events have occurred during the year under review and it should also be noted that the following are a non-exhaustive list of key operational risks, which may affect or have affected the Group's operation).*

Trading Business accounted for close to 100% of the total Group's revenue for the financial year under review and the Group thus specifically highlights the following non-exhaustive list of key operational risks relating to its Trading Business.

General economic condition – The Group's commodities trading business may be affected by global economic conditions and is particularly sensitive to global economic growth which will have a direct impact on demand and prices of commodities. Slowing down in such economic activities may result in weaker demand for overall trading products in and affect the revenues of the existing trading business.

Sensitive to commodity prices – The Group's commodities trading business is also highly sensitive to industry developments and market conditions within the resource and mining industry, which have been highly volatile. The Group will continue to trade exchange-regulated metal products with caution given the prevailing macroeconomic conditions such as the US-China trade tension, renewed uncertainty and market volatility in the commodities market.

CORPORATE GOVERNANCE REPORT

Foreign exchange risk – Foreign exchange rates could be volatile. The Group will be exposed to foreign exchange movements. Any adverse movements in these currencies (such as the United States Dollar, Malaysia Ringgit or the Singapore Dollar) will affect the Group's financial performance. The Group will continue to monitor the foreign currency exchange exposure closely and may hedge the exposure by either entering into relevant foreign exchange forward contracts or relying on natural hedge or a combination of both, if justifiable.

Additional working capital – The Group's scale of trading depends heavily on its ability to source for working capital facilities at commercially acceptable terms. Failure in securing such facilities as needed, will adversely affect the Group's Trading Business.

The Board has received assurances from the CEO and Financial Controller ("**FC**") that for the financial year under review, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and based on the work performed by the internal and external auditors, the Group's risk management and internal controls, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2019. Provision 9.2

Principle 10: Audit Committee

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

AC's Key Terms of Reference

The AC is guided by a set of written terms of reference, and its functions as set out in certain key terms of reference include: Provision 10.1

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

(b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance, information technology controls and risk management system (such review can be carried out internally or with the assistance of any competent third parties);

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

(d) reviews the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;

(e) reviews the audit plans of the internal auditors and external auditors of the Group and the Company;

CORPORATE GOVERNANCE REPORT

(f) reviews the financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board of Directors;

(g) reviews the scope and results of the external audit, and the independence, objectivity and cost effectiveness of the external auditors;

(h) makes recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(i) reviews 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;

(j) reviews transactions falling within the scope of Chapter 9 of the Listing Rules; and where necessary, reviews and seeks approval for interested person transactions; and

(k) reviews the non-audit services provided by the external auditors and whether the provision of such services affects their independence.

The AC has authority to investigate any matter within its terms of reference, full access to the Management and also full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly. The AC is authorised to obtain independent professional advice if they deemed necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

In respect of the financial year under review, the AC had held four (4) meetings to review and undertake the scope of work as set out above. The AC has also received regular updates from the EA on changes and amendments to accounting standards so as to keep abreast of these changes and their corresponding impact on the financial statements, if any.

The AC is kept informed by the Management and the EA of changes to the financial reporting standards, the Listing Rules and other codes and regulations which could have an impact on the Group's business and financial statements, in addition to trainings and seminars conducted by professionals and external parties.

CORPORATE GOVERNANCE REPORT

Key Audit Matters

The AC reviewed the key audit matter on revenue recognition, which was a matter highlighted by the EA as a key audit matter ("**KAM**") for the financial year ended 31 December 2019. The AC discussed with management and considered the approach and methodology adopted by the Group in respect of revenue recognition to be appropriate for its nature of business and they are in line with prevailing accounting standards and business practices and the AC is satisfied with the work and conclusion of the EA in respect of this matter. Further details on the Company's KAM are set out in the "Independent Auditor's Report" portion of this Annual Report.

Whistle-Blowing Policy

The Company has in place a Whistle-Blowing Policy and a set of accompanying procedures since 1 January 2010 to guide the staff of the Company in reporting matters concerning suspected fraud, corruption, dishonest practices or other similar breaches regarding accounting, financial and audit matters, as well as alleged irregularities and violations of a general, operational and financial nature against the Company or against any applicable law. All employees are given the contact details of the Chairman of the AC for this purpose. There were no reported incidents pertaining to whistle blowing in the financial year under review.

Composition of AC

The AC comprises two (2) Non-Executive Independent Directors and one (1) Executive Director: Provision 10.2

- Fong Heng Boo (Chairman)
- Chan Yu Meng (Member)
- Teh Wing Kwan (Member)

The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities. In particular, the Board is of the view that Mr Fong Heng Boo, Mr Chan Yu Meng and Mr Teh Wing Kwan have recent and relevant accounting and/or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. Please also refer to our disclosure in respect of Provision 2.4 above.

As announced on 27 February 2020, the NC is still searching for potential candidate(s) who is/are of a right fit for the Company keeping in mind that the Company should not hasten such an appointment of additional AC member to more effectively manage its existing limited resources while it is evaluating its potential acquisition strategies as the suitable candidate for AC member should carry the relevant skills and competencies. As disclosed, notwithstanding the appointment of Mr Teh Wing Kwan to the AC, the Company will continue to endeavour, through the appointment of appropriate candidate(s) as aforementioned, to comply with Provisions 6.2 and 10.2 of the Code, which provides that the AC and the RC shall each comprise at least three (3) Directors, all of whom shall be Non-Executive Directors. It is intended that Mr Teh Wing Kwan shall cease to be an AC member once additional Non-Executive Director(s) is/are appointed to the Board in due course.

CORPORATE GOVERNANCE REPORT

None of the AC members are former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and (b) for as long as they have any financial interest in the auditing firm or auditing corporation. Provision 10.3

Internal Audit

As disclosed under Provision 9.1 of this Corporate Governance Report, the Group's outsourced IA, YLA, performs its internal audit function. Provision 10.4

The recommended scope of internal audit is to:

- assess if adequate systems of internal control are in place to protect the funds and assets of the Group and ensure control procedures are complied with;
- assess if operations of the business processes under review are conducted efficiently and effectively; and
- identify and recommend improvement to internal control procedures, where required.

YLA will report directly to the Chairman of the AC and submit a report on their findings to the AC for review and approval yearly. The AC approves the hiring, removal, evaluation and compensation of the IA.

YLA is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

To ensure the adequacy of the internal audit functions, the AC has reviewed the recommended scope of internal audit as set out above, YLA's qualifications, experience, activities, resources and standing in the Company and taking into consideration that the Company will provide unfettered access to the IA to all the Company's documents, records, properties and personnel, including to the AC, the AC is satisfied that the internal audit function of the Group can be adequately and effectively carried out.

The AC reviews, at least annually, the adequacy and effectiveness and assesses the independence of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the review. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. In respect of the financial year under review, the AC is satisfied of the independence of the internal auditors and that the internal audit function is independent, effective, adequately resourced and has the appropriate standing within the Group. Listing Rule 1207(10C)

CORPORATE GOVERNANCE REPORT

The AC meets annually with the Group's external and internal auditors, in each case without the presence of Management, in order to have free and unfiltered access to information that it may require, to discuss the results of its examinations and the evaluation of the Group's system of risk management and internal controls, and to discuss any problems and concerns which they may have. Provision 10.5

External Auditors

Before confirming an external auditors' re-appointment, the AC will conduct an annual review of the independence of the Company's external auditors and the total fees for non-audit services compared with audit services, and satisfy itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the auditors. During the financial year under review, the remuneration paid/payable to the Company's EA, Foo Kon Tan LLP, is set out below: Listing Rule 1207(6)

Fees Paid/Payable to External Auditors		
Service Category	**S$'000**	**% of total**
Audit Fees	37	100
Non-Audit Fees	–	–
Total	37	100

As there were no fees paid to the EA for non-audit services in the financial year under review, the AC is of the opinion that the independence or objectivity of the EA has not been affected.

In respect of the financial year under review, the EA have confirmed that they are in compliance with the independence requirements set out in the Code of Professional Conduct and Ethics under the Accountants (Public Accountants) Rules of the Singapore Accountants Act and have affirmed their independence in this respect.

The AC had recommended the reappointment of Foo Kon Tan LLP as external auditors of the Company at the forthcoming AGM. The audit partner in charge of auditing the Company also has not been in charge of more than five (5) consecutive audits in respect of the Company.

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In proposing to shareholders the re-appointment of Foo Kon Tan LLP as the external auditors to the Company and in line with the requirements under Rule 712 of the Listing Rules and after taking into consideration the Audit Quality Indicators (AQI) Disclosure Framework published by the Accounting and Corporate Regulatory Authority ("**ACRA**") in respect of Foo Kon Tan LLP, the Board and the AC considered and are satisfied with the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of our Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. Foo Kon Tan LLP has confirmed that it is registered with ACRA. The Company is also in compliance with Rule 715 of the Listing Rules in relation to the appointment of Foo Kon Tan LLP as the auditors of the Company and its subsidiaries.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

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

Conduct of Shareholder meetings

The Group recognises the importance of maintaining transparency and accountability to its Shareholders. The Board ensures that all of the Company's Shareholders are treated equitably and the rights of all investors, including non-controlling Shareholders are protected. Provision 11.1

The Group is committed to provide Shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

Shareholders are informed of Shareholders' meetings through notices contained in annual reports or circulars sent to all Shareholders. These notices are also published in the newspaper and posted onto the SGXNet.

The Board reviews and approves the results as well as any announcements before its release. In presenting the periodic financial results announcements to Shareholders, including other price sensitive public reports and reports to regulators, if required, it is the aim of the Board to provide the Shareholders with a balanced assessment of the Group's performance, financial position and business prospects. The Board is committed to providing Shareholders and stakeholders with timely and accurate financial statements, and is accountable to them while the Management is accountable to the Board.

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Periodic financial statements as well as announcements on business and other significant corporate developments and activities of the Group are made via SGXNET to keep Shareholders informed about the Group's financial position and its progress. The Company issued a Performance Guidance and Corporate Update on 27 February 2020 highlighting that based on the preliminary review of the unaudited financial statements of the Group, the Group was expected to report a small profit for FY2019, reversing a net loss in FY2018. The Performance Guidance and Corporate Update further explained the key factors which resulted in the expected performance improvement for FY2019 and also warned that the commodities market remains volatile while certain engineering projects under evaluation continue to have long gestation periods. The Company further highlighted its limitation in fund raising exercise under the existing ordinary shares structure, which it may consider a shares consolidation exercise in the near future.

The Group strongly encourages Shareholder participation during the AGM, where the relevant rules and procedures governing the meetings, including voting procedures, will be clearly communicated. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business-related matters.

The Company supports active Shareholder participation at general meetings. At general meetings, Shareholders are given the opportunity and are encouraged to air their views and ask questions regarding the Group and its businesses. If Shareholders are unable to attend the general meetings, the Company's constitution allows a Shareholder of the Company who is not a relevant intermediary (as defined in the Companies Act) to appoint up to two (2) proxies to speak, attend and vote in place of the Shareholder. Further, a Shareholder which is a relevant intermediary may appoint more than two (2) proxies to speak, attend and vote at general meetings.

According to the Company's Constitution, all resolutions at general meetings shall be voted by poll. Detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET and made available on the Company's website after the conclusion of the general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.

The Company practices having separate resolutions at general meetings on each substantially separate issue. "Bundling" of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. Provision 11.2

Pursuant to Rule 720(6) of the Listing Rules, additional information on the Directors seeking election/re-election has been set out in the section titled "Additional Information on Directors Seeking Election/Re-Election" which is appended to the Notice of AGM. Please also refer to our disclosure in respect of Provision 4.5 above and the explanatory notes to the Notice of AGM, which sets out detailed information about these Directors, including the board and committee positions they are expected to hold upon election and their current directorships in other listed companies and other principal commitments held.

CORPORATE GOVERNANCE REPORT

The Company requires all Directors to be in attendance at the general meetings to address Shareholders' queries. The EA are also required to be present to assist the Directors to address any queries raised by Shareholders about the conduct of the audit and the preparation and contents of the auditors' report. Provision 11.3

The Directors' attendance at the general meetings of the Company held in the financial year under review are set out in the table below:

Name of Director	Annual General Meeting		Extraordinary General Meeting	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Teh Wing Kwan	1	1	2	2
Chan Yu Meng	1	1	2	1
Fong Heng Boo	1	1	2	1
Weng Hua Yu @ Simon Eng(1)	1	0	2	1

Notes:

(1) Mr Weng Hua Yu @ Simon Eng voluntarily resigned as a Board member on 31 December 2019.

Voting in absentia and by electronic mail is not presently possible and the Board will not implement such absentia-voting methods until issues on security and integrity are satisfactorily resolved. Provision 11.4

Minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management was prepared by the Company, and made available to Shareholders upon their request in accordance with applicable laws. Provision 11.5

Dividends policy

The Company does not have a formal dividend policy at present. The Board will take into consideration the Company's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate to determine the form, frequency and amount of dividend declared each year. Provision 11.6

The Board does not recommend the payment of dividends in respect of the financial year under review. Given that the Group is in the midst of its corporate transformation exercise while evaluating various corporate plans, it is thus important to conserve funds for the existing working capital of the Company. In addition, the Company recognises that it is of top priority to first improve the Shareholder's equity position prior to evaluating any proposed dividend payment structure for the future.

CORPORATE GOVERNANCE REPORT

Principle 12: Engagement with Shareholders

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

Communication with Shareholders

The Company recognises the need to communicate with the Shareholders on all material matters affecting the Group. In line with the Group's disclosure obligations pursuant to the Listing Rules, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNET and the Company's website at www.citicode.com.sg. Provision 12.1

Price-sensitive announcements including half year and full year results, as well as other financial information, corporate announcements, press releases and annual reports are released through SGXNET and also made available on the Company's website. All Shareholders will receive the Notice of AGM with the requisite notice period, together with a copy of the Request form for Annual Report, by post.

The Company does not practice selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The Directors are mindful of their obligation to provide Shareholders with timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with:

(a) an Annual Report (with easy-to-read "Results at a Glance" explaining the financial performance and position of the Group);

(b) periodic financial results and other financial announcements as required (Note: On 27 February 2020, the Company updated the Shareholders that it will not continue quarterly financial reporting);

(c) other announcements on key developments of corporate strategies, including performance guidance and corporate updates; and

(d) updates through the Company's website at www.citicode.com.sg.

On the Company's website, investors will find information about the Board's profile, the Company's profile and Company's contact details as well as all publicly disclosed financial information, corporate announcements and annual reports. Shareholders can also access information on the strategic direction of the Company and publicly disclosed press releases on the Company's website.

CORPORATE GOVERNANCE REPORT

The Company released announcements via SGXNET and the Company's website to keep Shareholders updated on the developments and the Group, specifically on:

For FY2019, the Company released:

- 6 financial statements and related announcements (including performance guidance);
- 5 corporate actions related announcements;
- 8 Extraordinary General Meetings and Annual General Meeting related announcements;
- 1 announcement on cessation of a Board member; and
- 4 other general and mandatory announcements.

Subsequent to the financial year end and before the date of this Annual Report, the Company released:

- 2 financial statements and related announcement (including performance guidance);
- 1 announcement on reconstitution of the Board; and
- 2 other general and mandatory announcements.

Investor Relations Policy

Whilst the Group does not engage an external Investor Relationship ("**IR**") consultant for the time being, the Management proactively assumes the role of IR in connection with communication on major corporate developments to the media and Shareholders, including potential investors. The Company issues press releases for its major corporate developments from time to time. The Management is of the view that keeping Shareholders informed regularly is extremely important particularly when the Company is in the midst of implementing its new corporate strategies. Provision 12.2

The Executive Chairman and CEO has personally written his statement in this Annual Report sharing his views on and strategies for the Company's businesses under the current macro environment.

To enable Shareholders to contact the top Management easily, the CEO has provided his email address for the ease of communication with Shareholders. The email address of the CEO can be found in the Executive Chairman & CEO's Statement and Corporate Information sections of this Annual Report, respectively. In addition, the Company has also set out a separate email address ir@citicode.com.sg (the "**IR Email**") to facilitate such communication. The IR Email address is published on the Company's website as well. Provision 12.3

CORPORATE GOVERNANCE REPORT

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13: Engagement with Stakeholders

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

Stakeholder engagement forms an integral part of the Company's sustainability approach. The Company's stakeholders have an interest in the Company's business and influences the Company's operations, products and services, business approach and strategies. The Company's stakeholders have been identified as its customers, regulators, shareholders and suppliers. Provision 13.1

The Company proactively engage with its stakeholders on a regular, continuing basis through various channels and means to gain insights to their expectations and concerns and use these learnings to make informed management decisions in shaping the Company's business policies and strategies so as to create sustainable business growth and value for all stakeholders.

How the Company engages with its diverse stakeholders, their expectations and concerns, and how the Company responds to them are detailed in the Company's Sustainability Report. The Company published its first sustainability report for the financial year ended 31 December 2017 and its latest annual Sustainability Report in respect of the financial year under review is set out in the section entitled "Sustainability Report" of this Annual Report, in accordance with Rule 711A and Practice Note 7.6 paragraph 5.1 of the Listing Rules and the same will be uploaded on the Company's website as well as on SGXNET. Provision 13.2

In defining the Company's sustainability reporting content, the Company applies the Global Reporting Initiative (GRI) standards by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. Corresponding to GRI's emphasis on materiality, the Sustainability Report will highlight the key economic, environmental, social and governance related initiatives carried out throughout the financial year under review.

A copy of the Company's Sustainability Report is also available for download at the Company's website and feedback from all stakeholders are welcomed. All questions, comments, suggestions or feedback can be sent to the Company at sustainability@citicode.com.sg

The Company has a current corporate website (www.citicode.com.sg) to inform Shareholders about the Company's developments. The new website is easy to read and is easily accessible from mobiles devices as well. Provision 13.3

CORPORATE GOVERNANCE REPORT

OTHER GOVERNANCE PRACTICES

DEALINGS IN COMPANY'S SECURITIES

On 27 February 2020, the Company announced that it will not be performing quarterly reporting of its financial results as it is not required to do so. In compliance with Rule 1207(19) of the Listing Rules, the Company has devised and adopted an internal compliance code on securities transactions to provide guidance to its Directors and officers with regard to dealing by the Company, its Directors and its officers in the Company's securities, and setting out the implications of insider trading. In line with the internal compliance code, the Company has informed its officers not to deal in the Company's shares whilst they are in possession of unpublished material and/or price-sensitive information and during the "blackout period", which is defined as one (1) month before the announcement of the Group's half year and full year financial results. Directors and officers are also advised not to deal in the Company's securities on short term considerations. The Directors and Officers are required to report to the Company and the Company Secretary whenever they deal in the Company's shares and the Company will ensure that the necessary announcements are made. In addition, the Company, Directors and officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has in place a policy in respect of any transactions with interested person and has established procedures for review and approval of IPTs entered into by the Group to ensure that all transactions with interested persons are reported in a timely manner to the AC. The Board confirms that there is no material interested person transaction entered into during the financial year under review which fall under Rule 907 of the Listing Rules.

As disclosed in the Annual Report, The Executive Chairman and CEO, Mr Teh Wing Kwan had given a financial undertaking to support the Group and the Company's working capital needs. Mr. Teh Wing Kwan has been providing financial assistance to the Company in the form of interest free loans since FY2018. Please refer to the disclosure under the section entitled "Material Contracts" below for further details.

For FY2019, the Company has no general mandate for IPTs pursuant to Rule 920 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Rules, save as disclosed below, the Company confirms that there are no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, each Director or controlling Shareholder still subsisting at the end of the financial year under review or if not subsisting, entered into since the end of the previous financial year:

(1) Mr Teh Wing Kwan, the Company's Executive Chairman and CEO, provided financial assistance to the Company in the form of an interest free loan of S$350,000 in aggregate for FY2019 with no fixed repayment date. As this loan is non-interest bearing, for the purposes of Chapter 9 and pursuant to Rule 909(3) of the Listing Rules, the total value of this transaction is "NIL". No security was provided by the Company in respect of this loan.

(2) Mr Teh Wing Kwan gave a financial undertaking to support the Group and the Company's working capital needs for FY2019. The total amount owing to Mr Teh Wing Kwan, including other working capital advances and accruals is approximately S$488,586 as at 31 December 2019.

(3) The total amount owing by the Company to Mr Teh Wing Kwan is non-interest bearing and have no fixed repayment date. As these loans are non-interest bearing, for the purposes of Chapter 9 and pursuant to Rule 909(3) of the Listing Rules, the total value of this transaction is "NIL". No security was provided by the Company in respect of these loans.

TREASURY SHARES

There are no treasury shares held by the Company at the end of the financial year under review.

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

Details	Name of Director Fong Heng Boo
Age	70
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the qualifications and working experience of Mr Fong Heng Boo, is of the view that he has the requisite experience and capabilities to assume the responsibilities as a Lead Independent Director of the Company.
Working experience and occupation(s) during the past 10 years	Director (Special Duties) Singapore Totalisator Board
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships	**Past (for the last 5 years)** Director of: Pteris Global Limited (SGX) Sapphire Corporation Limited (SGX) Asian American Medical Group (ASX) **Present** Director of: Agency for Integrated Care Pte Ltd Colex Holdings Limited (SGX) CapitaLand Retail China Trust Management Limited (SGX) Shengye Capital Ltd (HKEx) TA Corporation Ltd (SGX) Singapore Health Services Pte Ltd Surbana Jurong Private Limited (formerly known as TJ Holdings (II) Pte Ltd) Kwan Yong Holdings Limited (SGX) (effective 1 April 2020)

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

Details	Name of Director Fong Heng Boo
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Yes Mr Fong was appointed as a Non-Executive Director of China Foodzart International Private Ltd ("China Foodzart") on 18 March 2011 and resigned on 25 August 2011. On 20 September 2012, various winding up applications were commenced against China Foodzart on the ground that China Foodzart was unable to pay its debts and it was wound up on 24 September 2013.
c. Whether there is any unsatisfied judgment against him?	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

	Name of Director
Details	**Fong Heng Boo**
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes Mr Fong was an employee (General Manager, Corporate Affair) of Amcol Holdings Ltd between January 1995 and May 1996. He was a prosecution witness in March 1998 in a court case involving 3 directors of Amcol Holdings Ltd and 3 directors were charged for failure to act honestly in their discharge of duties as Directors under Section 157(1) and 157(3) of the Companies Act, Cap. 50
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
iv any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or in elsewhere, connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present this statement to the members together with the audited consolidated financial statements of Citicode Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2019 ("FY2019") and the statements of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the accompanying financial statements of the Group and Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for FY2019 in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regard to the financial support provided by a director of the Company, there are reasonable grounds to believe that the Group and 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.

Names of directors

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

Teh Wing Kwan	Executive Chairman and Chief Executive Officer
Fong Heng Boo	Lead Independent Director
Chan Yu Meng	Independent Director
Simon Eng	Non-Independent Non-Executive Director (resigned on 31 December 2019)

Arrangements to enable directors to acquire shares and debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or of any other corporate body, other than as disclosed in this statement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Directors' interest in shares or debentures

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, none of the directors who held 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		Deemed	
Name of director and corporation in which interests are held	**As at 1.1.2019**	**As at 31.12.2019**	**As at 1.1.2019**	**As at 31.12.2019**
Ordinary shares				
Teh Wing Kwan	11,871,961,100	**11,871,961,100**	–	**–**
Simon Eng	–	**–**	2,196,098,403*	**2,196,098,403***

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or its related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

* Simon Eng is deemed to be interested in shares held though Belle Forte Ltd, Fort Canning (Asia) Pte Ltd ("Fort Canning") and Metech International Limited on 1 January 2019. Simon Eng has resigned as Non-Executive Non-Independent Director of Citicode Ltd as of 31 December 2019.

Share option scheme

Citicode Ltd. Employee Share Option Scheme ("Share Option Scheme")

The Company has a Share Option Scheme which was approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") of the Company held on 20 September 2004 and subsequently re-adopted at an EGM held on 30 April 2015.

A revision to the Share Option Scheme to abolish the "par value" was approved at the EGM on 18 February 2011.

As at the date of this statement, the Share Option Scheme is administered by the Remuneration Committee ("RC") comprising of the following directors i.e. Mr Chan Yu Meng (Chairman of RC) and Mr Fong Heng Boo.

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiaries.

No shares were issued during the financial year to which this report related by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries.

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Share option scheme (Continued)

Citicode Performance Shares Scheme ("Citicode PS Scheme")

The Citicode PS Scheme was approved by the shareholders of the Company at an Extraordinary General Meeting held on 13 July 2007 and renewed by the Company at the Annual General Meeting held on 29 April 2016. The Remuneration Committee was tasked to administer the Share Option Scheme and the Citicode PS Scheme. As at the date of this statement, no shares have been awarded or issued under the Citicode PS Scheme.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Fong Heng Boo	(Chairman and Lead Independent Director)
Chan Yu Meng	(Member and Independent Director)
Teh Wing Kwan*	(Member, Executive Chairman and Chief Executive Officer)

* Mr Teh Wing Kwan was appointed as the third member of the Company's Audit Committee on 27 February 2020 in compliance with Section 201B of the Companies Act and Rule 704(8) of the Listing Manual, in relation to the Audit Committee.

The Company is still in search for suitable candidate(s) to be appointed to the Board and to fill the vacancy in the Audit Committee and Remuneration Committee to ensure compliance with the Code of Corporate Governance 2018.

The Audit Committee performs the functions set out in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Committee reviewed the following:

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

(ii) reviews and reports to the Board at least annually the adequacy and effectiveness of the Group's and the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

(iii) reviews the audit plans of the internal and external auditors of the Group and the Company;

(iv) reviews the financial statements and the auditors' report on the annual financial statements of the Group and the Company before submission to the Board of Directors;

(v) reviews the scope and results of the external audit, and the independence, objectivity and cost effectiveness of the external auditors;

(vi) makes recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Audit Committee (Continued)

(vii) reviews transactions falling within the scope of Chapter 9 of the Listing Manual; and where necessary, reviews and seeks approval for interested person transactions; and

(viii) reviews the non-audit services provided by the external auditors and whether the provision of such services affects their independence.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee convened four meetings during the year with full attendance from all members, except for one where a member was absent. The Audit Committee has also met with external auditors, without the presence of the Company's management, at least once a year.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

In appointing our auditor for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the directors

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TEH WING KWAN
Director

....

FONG HENG BOO
Director

Dated: 1 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Citicode Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 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 statements 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)") 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 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 Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	Risk	Our responses and work performed
Revenue recognition	Under SFRS(I) 15 *Revenue from Contracts with Customers*, revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods to the customers as the Group satisfies its performance obligation. Revenue from sale of goods is recognised upon the transfer of control of the goods to the customers when the Group has fulfilled its performance obligations as stated in the sales contract. We have identified the risk of overstatement of revenue to be a Key Audit Matter since revenue is the most significant amount in the consolidated statement of comprehensive income. The Group's disclosures about revenue recognition are included in the significant accounting policies in Note 2 to the financial statements.	Our audit procedures included the following: a) Evaluated the accounting policy for revenue recognition in accordance to SFRS(I) 15 *Revenue from Contracts with Customers*, taking into account the performance obligations stipulated in the sales transactions; b) Reviewed contracts with customers to understand the terms and conditions therein and to ascertain the appropriateness over revenue recognition; c) Identified and reviewed key internal controls in revenue cycle, including assessment of their design and implementation effectiveness; d) Tested selected revenue transactions by tracing to relevant supporting invoices and documents i.e. release confirmation documents from warehousing agent, and subsequent receipt; and e) Reviewed significant and unusual credit notes issued during the year and post-year end. Based on the results of the above procedure, we found management's revenue recognition to be appropriate. We had also assessed the adequacy and appropriateness of the disclosures made in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD.

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is 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 this 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 or the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD.

Report on the Audit of the Financial Statements (Continued)

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITICODE LTD.

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, 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 Ong Soo Ann.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	The Group		The Company	
		31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
ASSETS					
Non-current assets					
Right-of-use assets	3	**80**	–	**80**	–
Finance lease receivables	4	**63**	–	**63**	–
Investment in subsidiaries	5	**–**	–	**3**	2
Investment in a joint venture	6	**1**	–	**–**	–
		144	–	**146**	2
Current assets					
Prepayments		**9**	5	**9**	5
Finance lease receivables	4	**19**	–	**19**	–
Trade and other receivables	7	**468**	2,959	**153**	26
Cash and cash equivalents	8	**406**	199	**100**	110
		902	3,163	**281**	141
Total assets		**1,046**	3,163	**427**	143
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	9(a)	**209,581**	209,581	**209,581**	209,581
Capital reserve	9(b)	**(654)**	(654)	**–**	–
Share options reserve	9(c)	**–**	–	**–**	–
Foreign currency translation reserve	10	**(29)**	9	**–**	–
Accumulated losses		**(209,213)**	(209,226)	**(212,765)**	(212,452)
Total attributable to equity holders of the Company		**(315)**	(290)	**(3,184)**	(2,871)
Non-current liabilities					
Other payables	11	**–**	162	**–**	162
Lease liabilities	12	**126**	–	**126**	–
Borrowings	13	**715**	200	**715**	200
		841	362	**841**	362
Current liabilities					
Trade and other payables	11	**482**	3,091	**2,732**	2,652
Lease liabilities	12	**38**	–	**38**	–
		520	3,091	**2,770**	2,652
Total liabilities		**1,361**	3,453	**3,611**	3,014
Total equity and liabilities		**1,046**	3,163	**427**	143

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 S$'000	2018 S$'000
Revenue	14	**21,092**	54,977
Cost of sales		**(20,708)**	(54,209)
Gross profit		**384**	768
Other income	15	**35**	140
Administrative expenses		**(358)**	(1,299)
Other expenses		**–**	(141)
Finance costs	16	**(48)**	(106)
Share of results of joint venture, net of tax	6	**–**	–
Profit/(Loss) before income tax	17	**13**	(638)
Income tax expense	18	**–**	–
Profit/(Loss) for the year		**13**	(638)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Net (loss)/income relating to foreign currency translation differences arising from consolidation		**(38)**	10
Other comprehensive (loss)/income for the year, net of tax		**(38)**	10
Total comprehensive loss for the year		**(25)**	(628)
Profit/(Loss) attributable to:			
Equity holders of the Company		**13**	(638)
Non-controlling interests		**–**	–
		13	(638)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(25)**	(628)
Non-controlling interests		**–**	–
		(25)	(628)
Earnings/(Losses) per share (Cents)			
– Basic and diluted earnings/(losses) per share	19	**0.0000***	(0.0017)

* Less than S$0.0001 cents

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital S$'000	Capital reserve S$'000	Share options reserve S$'000	Foreign currency translation reserve S$'000	Accumulated losses S$'000	Total equity S$'000
Balance at 1 January 2018		196,454	(654)	544	(1)	(209,132)	(12,789)
Loss for the year		–	–	–	–	(638)	(638)
Other comprehensive income for the year							
– Foreign currency translation differences		–	–	–	10	–	10
Total comprehensive loss for the year		–	–	–	10	(638)	(628)
Debt capitalisation exercise	9(a)	11,187	–	–	–	–	11,187
Capitalisation of redeemable convertible bond	9(a)	2,000	–	–	–	–	2,000
Share issue expenses	9(a)	(60)	–	–	–	–	(60)
Cancellation of share options	9(c)	–	–	(544)	–	544	–
Transactions with owners, recognised directly in equity		13,127	–	(544)	–	544	13,127
Balance at 31 December 2018		209,581	(654)	–	9	(209,226)	(290)
Balance at 1 January 2019		**209,581**	**(654)**	**–**	**9**	**(209,226)**	**(290)**
Profit for the year		**–**	**–**	**–**	**–**	**13**	**13**
Other comprehensive loss for the year							
– Foreign currency translation differences		**–**	**–**	**–**	**(38)**	**–**	**(38)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(38)**	**13**	**(25)**
Balance at 31 December 2019		**209,581**	**(654)**	**–**	**(29)**	**(209,213)**	**(315)**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 S$'000	2018 S$'000
Cash Flows from Operating Activities			
Profit/(Loss) before income tax		**13**	(638)
Adjustments for:			
Unrealised future trading loss/(gain)	17	**3**	(16)
Unrealised foreign exchange gain	15	**(28)**	(50)
Depreciation of right-of-use of assets	3	**20**	–
Finance costs	16	**48**	106
Finance income	15	**(4)**	–
Gain on acquisition of a subsidiary	15	**(1)**	–
Write-back of trade and other payables	15	**–**	(78)
Operating profit/(loss) before working capital changes		**51**	(676)
Decrease in trade and other receivables		**2,516**	4,878
Decrease in trade and other payables		**(2,749)**	(4,665)
Cash used in operations		**(182)**	(463)
Interest paid		**(46)**	(61)
Interest received		**4**	–
Net cash used in operating activities		**(224)**	(524)
Cash Flows from Investing Activities			
Proceeds from finance lease receivables		**19**	–
Acquisition of a subsidiary, net of cash acquired		**–***	–
Investment in a joint venture	6	**(1)**	–
Net cash generated from investing activities		**18**	–
Cash Flows from Financing Activities			
Repayment of borrowings (Note A)		**–**	(2,257)
Proceeds from borrowings (Note A)		**450**	550
Repayment of lease liabilities		**(37)**	–
Share issuance expenses		**–**	(60)
Proceeds from issuance of redeemable convertible bonds (Note A)		**–**	2,000
Net cash generated from financing activities		**413**	233
Net increase/(decrease) in cash and cash equivalents		**207**	(291)
Cash and cash equivalents at beginning of the year		**199**	490
Cash and cash equivalents at end of the year	8	**406**	199

* Less than S$1,000

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note A – Reconciliation of liabilities arising from financing activities

The following is the disclosure of the reconciliation of liabilities to cash flows arising from financing activities, excluding equity items:

				Non-cash changes (Notes 11, 2(c)(e))		
	As at 1 January 2019 S$'000	**Proceeds from borrowings S$'000**	**Repayment S$'000**	**Upon initial Recognition of SFRS(I) 16 S$'000**	**Reclassification of amount owing by director to borrowings S$'000**	**As at 31 December 2019 S$'000**
Lease liabilities	**–**	**–**	**(37)**	**201**	**–**	**164**
Borrowings	**200**	**450**	**–**	**–**	**65**	**715**

					Non-cash changes (Note 9(a))		
	As at 1 January 2018 S$'000	**Proceeds from issue of redeemable convertible bond S$'000**	**Proceeds from borrowings S$'000**	**Repayment S$'000**	**Debt capitalisation S$'000**	**Capitalisation of redeemable convertible bonds S$'000**	**As at 31 December 2018 S$'000**
Borrowings	12,931	2,000	550	(2,257)	(11,024)	(2,000)	200

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 General information

The financial statements of Citicode Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and domiciled in Singapore and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The address of the Company's registered office is located at 1 Robinson Road #17-00, AIA Tower, Singapore 048542.

The address of the Company's principal place of business is at 33 Ubi Ave 3, The Vertex, #02-22 Singapore 408868.

The principal activity of the Company is that of investment holding and engineering design and consultancy. The principal activities of the subsidiaries and joint venture are disclosed in Notes 5 and 6 to the financial statements.

2(a) Going Concern

As at 31 December 2019, the Group had negative equity of S$315,000 (2018 – S$290,000) and net current assets of S$382,000 (2018 – S$72,000) while the Company had negative equity of S$3,184,000 (2018 – S$2,871,000) and net current liabilities of S$2,489,000 (2018 – S$2,511,000). For the financial year ended 31 December 2019, the Group recorded a profit after tax of S$13,000 (2018 – loss after tax of S$638,000) total comprehensive loss of S$25,000 (2018 – S$628,000) respectively, and net operating cash outflows of S$224,000 (2018 – S$524,000).

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concerns. However, a director of the Company had provided a financial undertaking to the Group and the Company to provide the necessary financial support to the Group and the Company to continue operations and to meet their liabilities as and when they fall due within the next 12 months from the reporting date. Furthermore, included in borrowings is an amount due to a director of S$415,000 in which the director had undertaken not to demand repayment within 12 months after year end.

Accordingly, management is of the view that the preparation of financial statements on a going concern basis is appropriate.

2(b) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), including related Interpretations promulgated by the Accounting Standards Council ("ASC"). These financial statements have been prepared under the historical cost conversion, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, rounded to the nearest thousand ($'000), unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) Adoption of new and revised SFRS(I) effective for the current financial year

On 1 January 2019, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019

SFRS(I) 16 – Leases

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected to use the cumulative catch-up or modified retrospective approach which requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

(a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) Adoption of new and revised SFRS(I) effective for the current financial year (Continued)

SFRS(I) 16 – Leases (Continued)

(b) Lessee accounting

Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for office premise and office equipment, were not recognised as liabilities in the statements of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statements of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I)1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the cumulative catch-up approach for each lease or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under SFRS(I)1-17:

- recognise a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset,

- recognises a right-of-use asset, on a lease-by-lease basis:
  - o for office premise & office equipment, at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application.

- applies SFRS(I) 1-36 *Impairment of Assets* to perform an impairment review of the right-of-use asset; and

- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) Adoption of new and revised SFRS(I) effective for the current financial year (Continued)

SFRS(I) 16 – Leases (Continued)

(b) Lessee accounting (Continued)

Former operating leases (Continued)

The Group has adopted the following SFRS(I) 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjust the right-of-use asset at date of the initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 *Provisions, Contingent Liabilities, Contingent Assets* in the statements of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease

The Group's weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statements of financial position on 1 January 2019 is 5.8%.

(c) Lessor accounting

SFRS(I) 16 has not changed substantially how the Group as lessor accounts for leases, except when it is the intermediate lessor of sublease. Under SFRS(I) 16, the Group continues to classify leases, where it is the lessor, as either finance lease or operating lease and to account for the two types of leases differently. However, SFRS(I) 16 changes and expands the disclosures required, in particular, regarding how the Group as lessor manages the risks arising from its residual interest in leased assets.

Intermediate lessor of sublease

The Group subleases to a non-related party an office premise which the Group leases under a separate head lease arrangement. Prior to the adoption of SFRS(I) 16, the sublease was classified as an operating lease because the head lease was an operating lease. Under SFRS(I) 1-17, the Group as intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rent expense in respect of the head lease on a straight-line basis over the term of the head lease.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) Adoption of new and revised SFRS(I) effective for the current financial year (Continued)

SFRS(I) 16 – Leases (Continued)

(c) Lessor accounting (Continued)

Under SFRS(I) 16, lessor accounting by the Group as intermediate lessor depends on the classification of the sublease with reference to the right-of-use asset arising from the head lease rather than the underlying asset. On 1 January 2019, the Group has re-assessed the classification of the sublease to be a finance lease, based on the remaining contractual terms and conditions of the head lease and sublease at that date. Consequently, the Group recognises a finance lease receivable for the sublease and a lease liability for the head lease, with any differences adjusted to the opening balance of retained earnings.

(d) Deferred tax effects on adoption of SFRS(I) 16

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, the deferred tax effects for these temporary differences, either initially or over the lease term, are not recognised due to application of the initial recognition exemption in SFRS(I) 1-12 *Income Taxes*, that explicitly excludes recognising the deferred tax effects arising from initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit or taxable profit.

In July 2019, the International Accounting Standards Board ("IASB") decided to propose amendments to International Accounting Standard ("IAS") 12 *Income Taxes* which would narrow the scope of the initial recognition exemption in IAS 12 such that it would no longer apply when an entity recognises equal amount of deferred tax asset and deferred tax liability arising from the initial recognition of a right-of-use asset and a lease liability under IFRS 16 Leases. In November 2019, the public comment window had closed for the Exposure Draft on *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Proposed amendments to IAS 12) issued by IASB. If implemented, an entity shall apply these amendments retrospectively. At the date of these financial statements, IASB has not issued these amendments to IAS 12 or any related IFRS pronouncements. Accordingly, no adjustment has been made by the Group in these financial statements in respect of this matter.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) Adoption of new and revised SFRS(I) effective for the current financial year (Continued)

SFRS(I) 16 – Leases (Continued)

(e) Financial impact of initial application of SFRS(I) 16

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statements of financial position on 1 January 2019 is as follows:

	$'000
Operating lease commitments as of 31 December 2018	**137**
(Less)/Add effects if:	
Lease period not previously included that is under extension option reasonably certain to be exercised	**91**
Discounting based on the weighted average incremental borrowing rate	**(27)**
Lease liabilities recognised on 1 January 2019	**201**

The effects of adoption of SFRS (I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase/ (Decrease) $'000
Assets	
Right-of-use assets	100
Finance lease receivables	101
	201
Liabilities	
Lease liabilities	201
	201

There is no impact to the opening retained earnings as of 1 January 2019.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(c) Adoption of new and revised SFRS(I) effective for the current financial year (Continued)

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Group has adopted SFRS(I) INT 23 for the first time in the current year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method

There is no material impact to the Group's financial statements.

2(d) Standards issued but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) INT issued that are not yet effective but may be early adopted for the current financial year.

Reference	Description	Effective date (Annual periods beginning on or after)
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
Various	Amendments to References to the Conceptual Framework in SFRS(I)	1 January 2020
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 References to the Conceptual Framework in SFRS(I)

The Conceptual Framework for Financial Reporting is the foundation on which new accounting standards are developed. The revised Conceptual Framework became effective immediately upon its publication in March 2018. The main changes to principles in the Conceptual Framework have implications for how and when assets and liabilities are recognised and de-recognised in the financial statements. Some entities may use the Conceptual Framework as a reference for selecting their accounting policies in the absence of specific SFRS(I) requirements. In these cases, the entities should review those policies and apply the new guidance retrospectively.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(d) Standards issued but not yet effective (Continued)

Amendments to References to the Conceptual Framework in SFRS(I) (Continued)

The Amendments to References to the Conceptual Framework in SFRS(I) are issued together with the revised Conceptual Framework. Some SFRS(I), their accompanying documents and SFRS(I) practice statements contain references to, or quotations from the Conceptual Framework. The Amendments to References to the Conceptual Framework in SFRS(I) Standards sets out amendments to SFRS(I), their accompanying documents and SFRS(I) practice statements to reflect the issue of the revised Conceptual Framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Management expects that there will be no material impact to the Group's financial statements.

Amendments to SFRS(I) 3: Definition of a Business

On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020, with earlier application permitted.

Management expects that there will be no material impact to the Group's financial statements.

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

The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I) Standards. Materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

Management expects that there will be no material impact to the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(e) Significant accounting estimates and judgements

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

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 and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

Significant judgements in applying accounting policies

<u>Impairment of financial assets</u>

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The carrying amounts of the Group's and the Company's trade and other receivables at the end of the reporting period are disclosed in Note 7 to the financial statements.

<u>Determination of the lease term</u>

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is re-assessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of office premises and office equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2019, potential future cash outflows of S$182,000 (undiscounted) have been included in the lease liability because it is reasonably certain that the leases will be extended.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(e) Significant accounting estimates and judgements (Continued)

Critical accounting estimates and assumptions used in applying accounting policies

Estimation of the incremental borrowing rate ("IBR")

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amount of the Group's right-of-use assets and lease liabilities are disclosed in Note 3 and 12 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's right-of-use assets and lease liabilities by approximately $2,000 respectively.

2(f) Summary of significant accounting policies

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Specifically, income and expenses of a subsidiary or an investee acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company or its subsidiary gains control until the date when the Company or its subsidiary ceases to control the subsidiary or investee.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries or investees to bring their accounting policies in line with the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Consolidation (Continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Consolidation (Continued)

- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities assumed and the equity interests issued by the Group.

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs 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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration given, 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill.

Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture is prepared at the same reporting date as the Company.

Leases (from 1 January 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Leases (from 1 January 2019) (Continued)

(i) The Group as lessee (Continued)

(a) *Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the statements of financial position. The lease liabilities are subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Leases (from 1 January 2019) (Continued)

(i) The Group as lessee (Continued)

(a) Lease liability (Continued)

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

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) Right-of-use asset

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Office premise: over the lease term of 4.8 years
Office equipment: over the lease term of 5.8 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statements of financial position. The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

NOTES TO THE
FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Leases (from 1 January 2019) (Continued)

(ii) The Group as lessor

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of the sublease entered into that resulted in a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

Intermediate lessor in sublease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then it classifies the sublease as an operating lease.

When the sublease is assessed as a finance lease, the Group de-recognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "finance lease receivables" in the statements of financial position. Any differences between the right-of-use asset de-recognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statements of financial position, which represents the lease payments owed to the head lessor.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Leases (before 1 January 2019)

(i) The Group as lessee

Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

(ii) The Group as lessor

Operating lease

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Initial recognition and measurement (Continued)

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

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

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

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market-place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

NOTES TO THE
FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding on the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost include trade and other receivables (excluding prepayments), finance lease receivables and cash and cash equivalents.

Fair value through other comprehensive income (debt instruments)

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised. At the reporting date, the Group does not hold any debt instruments at fair value through other comprehensive income.

Financial assets designated at fair value through OCI (equity instruments)

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by-instrument basis. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at FVOCI are recognised in OCI are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. At the reporting date, the Group does not hold any equity instruments at fair value through OCI.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investment which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are also recognised as other income in the statement of comprehensive income when the right of payment has been established. At the reporting date, the Group does not hold any financial assets at fair value through profit and loss.

De-recognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Group's consolidated statements of financial position) when:

- The rights to receive cash flows from the asset have expired or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

De-recognition (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and finance lease receivables, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group applies the general approach to provide for expected credit losses on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month expected credit losses or lifetime expected credit losses depending on the changes in its credit risk rating.

The Group considers a financial asset in default when contractual payments are 90 days due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. 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 of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender 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 writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings), or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised initially at fair value less directly attributable transaction costs. The Group's financial liabilities comprise trade and other payables and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

2(f) Summary of significant accounting policies (Continued)

Financial instrument (Continued)

(b) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SFRS (I) 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivatives financial instruments

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Compound financial instruments

Compound financial instruments issued by the Group comprise redeemable convertible bonds denominated in Singapore dollars that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Extinguishing financial liabilities with equity instruments

When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, the equity instruments issued shall be measured at their fair value, unless that fair value cannot be reliably measured. If the fair value of the equity instruments issued cannot be reliably measured, then the equity instruments shall be measured to reflect the fair value of the financial liability extinguished.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employee is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amounts ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Finance costs

Finance costs comprise (i) interest expense on borrowings and lease liabilities, and (ii) bank charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and trading accounts.

Share capital

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probably 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. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made. If 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. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Income taxes

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 the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

The Group and the Company contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to defined contribution schemes are charged to the profit or loss in the period to which the contributions relate.

Employee leave entitlements

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

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

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 Group and 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 Group or Company.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Related parties (Continued)

(b) An entity is related to the Group and 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. If the Company is itself such a plan, the sponsoring employers are also 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); or

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

Impairment of non-financial assets

The carrying amounts of the Group's and Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decrease.

- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

- A reversal of an impairment loss on a revalued asset is credited directly to equity. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of the reporting period.

Revenue recognition

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Revenue recognition (Continued)

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied and the customer obtains control of the goods. Control of an asset refers to an entity's ability to direct the use of and obtain substantially all of the remaining benefits (that is, the potential cash inflows or savings in outflows) from the asset. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns.

Engineering services

Revenue from engineering services is recognised when services rendered to customers are complete.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the asset.

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Conversion of foreign currencies

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss.

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

Group entities

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

- Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;

- Income and expenses for each statement presenting profit and loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2(f) Summary of significant accounting policies (Continued)

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effect of all dilutive potential ordinary shares, which comprise share options.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 24.

3 Right-of-use assets

The Group and The Company

	Office premise S$'000	Office Equipment S$'000	Total S$'000
Cost			
Adoption of SFRS(I) 16:			
– Initial recognition	93	7	100
At 1 January 2019, and at 31 December 2019	**93**	**7**	**100**
Accumulated depreciation			
Adoption of SFRS(I) 16:			
– Initial recognition	–	–	–
At 1 January 2019	–	–	–
Depreciation	**19**	**1**	**20**
At 31 December 2019	**19**	**1**	**20**
Carrying amount			
At 31 December 2019	**74**	**6**	**80**
At 1 January 2019	93	7	100

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 Finance lease receivables

The Group and The Company

	2019 S$'000
Undiscounted lease payments to be received:	
– Year 1	23
– Year 2	23
– Year 3	23
– Year 4	21
– Year 5	–*
– Year 6 and onwards	–
	90
Unguaranteed residual values	–
Gross investment in lease	90
Less: Unearned finance income	(8)
Present value of lease payment receivables, representing finance lease receivables	**82**
Presented as:	
– Non-current	63
– Current	19
	82

* Less than S$1,000

In 2019, the Group's and Company's finance lease receivables have increased by S$82,000 for the following reason:

On 1 January 2019, in accordance with SFRS(I) 16 transition requirements, the Group re-assessed the classification of subleases for office premise and office equipment from operating lease to finance lease based on the remaining contractual terms and conditions of the head lease and sublease at that date, and consequently recognised a finance lease receivable for this sublease.

The finance lease receivables have an effective interest rate of 5.8% per annum.

Fair value of the non-current portion of finance lease receivables approximates its carrying amount because the contractual interest rates approximate the current market borrowing rates for similar instruments.

The Group estimates the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessee operates, the Group considers that no finance lease receivable is impaired.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 Finance lease receivables (Continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

Further information about the financial risk management are disclosed in Note 24.

5 Investment in subsidiaries

	31 December 2019 S$'000	31 December 2018 S$'000
The Company		
Unquoted equity shares, at cost	**3**	2

Details of subsidiaries are as follows:

Name	Country of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by the Group 2019	2018	Principal activities
Held by the Company				
Asiapac Recycling Pte. Ltd.(1)	Singapore	**100%**	100%	Dealer in all kinds of ferrous and non-ferrous metals, electrical and electronics and insulated cable scraps
Citicode Corporation Pte. Ltd.(1), (2), (3)	Singapore	**100%**	–	Investment holding company
N&T Smart Engineering (Pte.) Ltd.(1), (3)	Singapore	**100%**	–	Research and experimental development of electronics in the area of smart city technology (Internet of things and artificial intelligence)

(1) Audited by Foo Kon Tan LLP.

(2) Incorporated during the year.

(3) Dormant during the year.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 Investment in subsidiaries (Continued)

Acquisition of subsidiary

On 10 May 2019, the Group acquired 100% equity interest in N&T Smart Engineering (Pte.) Ltd. ("N&T Smart") with a cash consideration of S$1. N&T Smart was incorporated on 30 August 2018 with an issued and paid-up capital of S$1,000. As N&T Smart was dormant at the date of acquisition, the acquisition does not qualify as a business combination and thus accounted for as an acquisition of asset. This resulted in a gain of S$999, arising from this acquisition.

6 Investment in a joint venture

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Unquoted equity shares, at cost	**1**	–	**–**	–
Share of post-acquisition profits, net of dividend received	**–**	–	**–**	–
	1	–	**–**	–

Details of joint venture is as follows:

Name	Country of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by the Group 2019	2018	Principal activities
Held by Citicode Corporation Pte. Ltd.				
Citicode-SNAP AI Pte. Ltd.(1), (2)	Singapore	**50%**	–	Development of machine learning and deep learning bots In the area of artificial intelligence

(1) Incorporated during the year, and remains dormant during the year.

(2) Exempted from audit.

The above joint venture is accounted for using the equity method in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Trade and other receivables

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Trade receivables	**227**	2,932	**131**	–
Other receivables				
– third parties	**226**	10	**7**	10
Deposits	**15**	17	**15**	16
	468	2,959	**153**	26

Trade receivables are non-interest bearing and are generally on average credit period of 30 – 120 days (2018 – 30 days).

The Group estimates the loss allowance on trade receivables at the end of the reporting period at an amount equal to lifetime ECL. For other receivables, the Group estimates the loss allowance at 12-month expected credit losses at the end of the reporting period. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade and other receivables.

Further information about the financial risk management are disclosed in Note 24.

8 Cash and cash equivalents

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Cash at bank	**167**	140	**100**	110
Trading accounts	**239**	59	**–**	–
Cash and cash equivalents	**406**	199	**100**	110

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 Capital and reserves

(a) Share capital

	No. of shares		Amount	
	2019	**2018**	**2019**	**2018**
	'000	**'000**	**S$'000**	**S$'000**
The Group and The Company				
At 1 January	**41,316,908**	14,942,564	**209,581**	196,454
Issuance of new shares	**–**	26,374,344	**–**	13,127
At 31 December	**41,316,908**	41,316,908	**209,581**	209,581

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

In the previous financial year, the Company issued 26,374,343,660 new ordinary shares for a total consideration of S$13,187,172 in relation to the debt capitalisation exercise and conversion of redeemable convertible bonds amounting to S$11,187,172 and S$2,000,000 respectively. Incremental costs directly attributable to the issuance of ordinary shares in FY2018 amounting to S$60,000 are also recognised as a deduction from equity.

(b) Capital reserve

Capital reserve of the Group represents the excess of the consideration received from the non-controlling interests over the interests attributable to the net assets of the subsidiaries acquired.

(c) Share options reserve

	Number of share options		Amount	
	2019	**2018**	**2019**	**2018**
	'000	**'000**	**S$'000**	**S$'000**
The Group and The Company				
At 1 January	**–**	35,586	**–**	544
Share options lapsed/cancelled	**–**	(35,586)	**–**	(544)
At 31 December	**–**	–	**–**	–

As at 31 December 2019, managerial staff of the Group held options of Nil (31 December 2018 – Nil).

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10 Foreign currency translation reserve

	31 December 2019 S$'000	31 December 2018 S$'000
The Group		
At 1 January	**9**	(1)
Net exchange difference on translation of foreign entity's financial statements	**(38)**	10
At 31 December	**(29)**	9

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiary whose functional currency is different from the presentation currency of the Company.

11 Trade and other payables

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Non-current liabilities				
Other payables	**–**	162	**–**	162
	–	162	**–**	162
Current liabilities				
Trade payables	**43**	2,425	**19**	–
Other payables	**43**	277	**40**	659
Amount due to subsidiaries	**–**	–	**2,345**	1,758
Derivative financial liability	**2**	–	**–**	–
Accrued operating expenses	**394**	389	**328**	235
	482	3,091	**2,732**	2,652
Total trade and other payables	**482**	3,253	**2,732**	2,814

The average credit period on trade purchases of goods is 30 days (2018 – 30 days).

The amount due to subsidiaries, representing advances, is unsecured, interest-free and repayable on demand.

Included in the non-current other payables is an amount of Nil (2018 – S$138,600) which relates to the salary, allowances and payment on behalf due to a director of the Company in which the director has undertaken not to demand repayment within 12 months after year end.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 Trade and other payables (Continued)

During the year, a loan agreement had been signed between the Company and the director, whereby the director agrees to lend S$415,000 to the company, included within is a balance of S$65,000 brought forward from last year which had been reclassified from other payables- non-current to the borrowings.

In FY 2018, following the completion of the debt capitalisation exercise, S$163,000 of current other payables was capitalised as equity shares of the Company as part of the arrangement with the major creditors of the Group.

The following derivative financial assets/(liabilities) are included in the Group's statements of financial position at the end of financial year:

	31 December 2019		31 December 2018	
	Contract/ notional amount S$'000	Assets/ (liabilities) S$'000	Contract/ notional amount S$'000	Assets/ (liabilities) S$'000
The Group				
Commodities future contracts	**663**	**(2)**	–	–

12 Lease liabilities

The Group and The Company

	2019 S$'000
Undiscounted lease payments due:	
– Year 1	**46**
– Year 2	**46**
– Year 3	**49**
– Year 4 and beyond	**41**
	182
Less: Unearned interest cost	**(18)**
Lease liabilities	**164**
Presented as:	
– Non-current	**126**
– Current	**38**
	164

Total cash outflows for all leases amount to $37,000 during the year. Interest expense on lease liabilities of S$9,000 is recognised within "finance costs" in profit or loss.

The lease liabilities are secured by the lessors' title to the leased assets.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 Borrowings

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Non-current liabilities				
Loans from third parties[a]	**300**	200	**300**	200
Loans from related party[b], [c]	**415**	–	**415**	–
Total borrowings	**715**	200	**715**	200

(a) Loans from third parties amounting to S$300,000 (2018 – S$200,000) are unsecured and bear interest rates of 5% (2018 – 5%) per annum. The loan of S$300,000 is due on February 2021 with interest payable in quarterly instalments.

On 27 February 2018, loans from third parties amounting to S$11,024,000 was capitalised into equity shares of the Company following the completion of debt capitalisation exercise (Note 9(a)).

(b) During the financial year, a director provided financial assistance to the Company in the form of an interest-free loan during the financial year under review. The director has undertaken not to demand repayment of the total loan of S$415,000 within 12 months after year end.

(c) Following the approval of the shareholders of the Company on 27 February 2018, the Company issued S$2,000,000 of redeemable convertible bonds ("RCB") with a maturity date of 3 years from the date of issuance and carries a 3% coupon per annum. On 28 February 2018, the RCB was exercised and entirely converted into 4,000,000,000 new ordinary shares of the Company at S$0.0005.

14 Principal activities and revenue

The principal activities of the Company are that of investment holding and engineering design and consultancy activities. The principal activities of the subsidiaries and joint venture are set out in Notes 5 and 6 respectively.

	2019 S$'000	2018 S$'000
The Group		
Revenue from contracts with customers	**21,092**	54,977

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 Principal activities and revenue (Continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policy:

Trading segment

Nature of goods or services	The Group principally generates revenue from the trading of copper related products in Singapore.
When revenue is recognised	Revenue is recognised at a point in time when the performance obligation has been fulfilled upon the transfer of control of goods to the customers.
Significant payment terms	The initial transaction price of the goods is determined based on sales contracts which have been agreed between the Group and its buyers. The final price of the goods may be subject to the fluctuation in market prices. Appropriate adjustments will be made to the final transaction price. Payment is due when the goods have been transferred to the customers.

Engineering and consultancy services segment

Nature of goods or services	The Group principally generates revenue from provision of engineering design and consultancy services.
When revenue is recognised	Revenue is recognised at a point in time when the performance obligation has been fulfilled upon the rendering of services to the customers.
Significant payment terms	The initial transaction price of the goods is determined based on sales contracts which have been agreed between the Group and its buyers. Payment is based on the agreed credit terms determined in the agreement.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 Principal activities and revenue (Continued)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (Note 23).

	2019 S$'000	2018 S$'000
The Group		
Primary geographical markets		
Singapore	**20,961**	54,977
Malaysia	**131**	–
	21,092	54,977
Timing of revenue recognition		
Goods transferred at a point in time	**20,961**	54,977
Services transferred at a point in time	**131**	–
	21,092	54,977

Contract balances

The following table provides information about receivables from contracts with customers.

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Trade receivables	**227**	2,932	**131**	–

15 Other income

	2019 S$'000	2018 S$'000
The Group		
Write-back of trade and other payables	**–**	78
Gain on acquisition of a subsidiary (Note 5)	**1**	–
Unrealised foreign exchange gain	**28**	50
Realised foreign exchange gain	**–**	2
Government grant	**–**	2
Miscellaneous income	**2**	8
Finance income – finance lease receivables	**4**	–
	35	140

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 Finance costs

	2019 S$'000	2018 S$'000
The Group		
Bank charges	**2**	7
Interest expense:		
– Lease liabilities	**9**	–
– Borrowings	**37**	99
	48	106

17 Profit/(Loss) before income tax

The following items have been included in arriving at profit/(loss) before income tax:

	2019 S$'000	2018 S$'000
The Group		
Audit fees	**37**	46
Directors' fees (Note 20)	**20**	60
Staff costs		
– salaries, bonuses and other benefits	**108**	159
– contributions to defined contribution plan	**24**	18
Loss/(Gain) on futures contracts – unrealised*	**3**	(16)
Gain on futures contracts – realised*	**(81)**	(314)
Foreign exchange gain, net	**(27)**	(52)
Operating lease expense	**–**	40
Depreciation of right-of-use of assets	**20**	–
Finance income	**(4)**	–

* Included in cost of goods sold

18 Income tax expense

	2019 S$'000	2018 S$'000
The Group		
Current taxation	**–**	–

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 Income tax expense (Continued)

Reconciliation of effective tax rate

	2019 S$'000	2018 S$'000
The Group		
Profit/(Loss) before taxation	**13**	(638)
Tax at statutory rate of 17% (2018 – 17%)	**2**	(108)
Tax effect on non-deductible expenses	**–***	32
Tax effect on non-taxable income	**(4)**	(13)
Deferred tax assets on temporary differences not recognised	**53**	182
Utilisation of tax losses previously not recognised	**(51)**	(93)
	–	–

* Less than S$1,000.

In the previous financial year, expenses not deductible for tax purposes comprised mainly the cost of scheme of arrangement and litigation. Non-taxable income comprised mainly write back of trade and other payables.

The tax rates used for the reconciliation above are the corporate tax rates of 17% (2018 – 17%) payable by corporate entities in Singapore.

At the reporting date, the Group has tax losses of approximately S$10,266,000 (2018 – S$20,002,000) that are available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Singapore. During the year, there was a forfeiture of unutilised tax losses amounting to S$9,734,000. The deferred tax assets arising from these tax losses amounting to S$1,750,000 (2018 – S$3,400,000) are not recognised owing to the uncertainty in the availability of future taxable profits which can be utilised.

19 Earnings/(Losses) per share

	2019	2018
The Group		
Profit/(Loss) attributable to equity holders of the Company (S$'000)	**13**	(638)
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**41,316,908**	37,125,916
Basic and diluted earnings/(losses) per share (cents)	**0.0000***	(0.0017)

* Less than S$0.0001 cents

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 Earnings/(Losses) per share (Continued)

Diluted earnings/(losses) per share

Diluted earnings per share are calculated by dividing (i) profit net of tax, attributable to owners of the Company by (ii) weighted average number of ordinary shares outstanding after adjusting for the effects of all dillutive potential ordinary shares.

In 2019 and 2018, the diluted earnings/(losses) per share are the same as basic earnings per share as the Group does not have any dilutive equity instruments.

20 Significant related party transactions

Key management personnel compensations

The compensation of key management personnel including fees and remuneration of the directors of the Company are as follows:

	2019 S$'000	2018 S$'000
The Group		
Salaries, bonuses and other benefits	**108**	159
Contributions to defined contribution plan	**24**	18
Directors' fees	**20**	60
	152	237
Comprise amounts paid to:		
Directors of the Company	**56**	134
Other key management personnel	**96**	103
	152	237

21 Leases

(i) The Group as lessee

(a) Office premise

The Group leases office premise for operation purposes. 50% of the office premise is sublet to third party, as discussed below under the Group's leasing activities as intermediate lessor of sublease.

There are no externally imposed covenants on the property lease arrangement.

(b) Office equipment

The Group makes monthly lease payments to acquire office equipment used for operations. The office equipment is recognised as the Group's right-of-use asset. The office equipment is shared/sublet to third party, as discussed below under the Group's leasing activities as intermediate lessor of sublease.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 Leases (Continued)

(ii) The Group as intermediate lessor of sublease

The Group acts as an intermediate lessor under arrangements whereby it subleases out office premise and office equipment to third party for monthly lease payments. For the sublet of office premise and office equipment, these subleases are classified as finance lease because these subleases are for substantial portion of the remaining head lease terms.

Subleases – classified as finance lease

The Group's sublease its right-of-use of the office premise and office equipment accounted for by de-recognising 50% of the right-of-use assets relating to the head leases and recognising net investment in the subleases under the Group's finance lease receivables (Note 4).

Finance income on the net investment in subleases of S$4,000 for the year is recognised within "finance income" in the profit or loss.

The maturity analysis of the undiscounted lease payments to be received is disclosed in Note 4.

22 Commitments

Operating lease commitments

Where the Group is the lessee

At the reporting date, the Group was committed to making the following rental payments in respect of operating leases of office equipment and rental of office premise with an original term of more than one year:

	31 December 2018 S$'000
The Group	
Within one year	46
After one year but not more than five years	91

Where the Group is the lessor

At the reporting date, the Group had the following rentals receivable under non-cancellable operating leases related to rental of office premise:

	31 December 2018 S$'000
The Group	
Within one year	19
After one year but not more than five years	–

The office rental lease expires every 12 months and contain option to renew by the lessee for an additional 12 months and a rate mutually agreed between the lessor and the lessee.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 Segment information

The Group's segment information pertains to the following segments:

- Trading segment – trading of copper cathodes.
- Engineering segment – engineering design and consultancy.
- Corporate segment – includes Group-level investment and treasury function.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

Information about Major Customers

Revenue from one major customer amounted to S$11,615,959 from trading segment (2018 – S$21,231,241 from trading segment) for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 Segment information (Continued)

(a) Business Segments

The following table presents revenue and results information regarding the Group's business segments:

	Note	Trading		Engineering		Corporate		Adjustments and eliminations		Total	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue											
External customers		**20,961**	54,977	**131**	–	**–**	–	**–**	–	**21,092**	54,977
Total revenue (Note 14)		**20,961**	54,977	**131**	–	**–**	–	**–**	–	**21,092**	54,977
Segment results:											
Write back of trade and other payables		**–**	–	**–**	–	**–**	78	**–**	–	**–**	78
Depreciation of right-of-use assets		**–**	–	**–**	–	**(20)**	–	**–**	–	**(20)**	–
Finance costs		**(26)**	(55)	**–**	–	**(22)**	(51)	**–**	–	**(48)**	(106)
Finance income		**–**	–	**–**	–	**4**	–	**–**	–	**4**	–
Segment results:	A	**(287)**	1,748	**41**	–	**(357)**	(1,185)	**616**	(1,201)	**13**	(638)

	Note	Trading		Engineering		Corporate		Adjustments and eliminations		Total	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Assets:											
Segment assets	A	**2,962**	4,778	**–**	–	**429**	143	**(2,345)**	(1,758)	**1,046**	3,163
Segment liabilities	A	**89**	2,197	**–**	–	**3,617**	3,014	**(2,345)**	(1,758)	**1,361**	3,453

Note:

A Inter-segment transactions and balances are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 Segments information (Continued)

(a) Business Segments (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2019 S$'000	2018 S$'000
The Group		
Revenue		
Total revenue for reportable segments	**21,092**	54,977
Consolidated revenue	**21,092**	54,977

	2019 S$'000	2018 S$'000
The Group		
Profit or loss		
Total profit/(loss) for reportable segments from operations	**13**	(638)
Consolidated profit/(loss) before tax	**13**	(638)

	31 December 2019 S$'000	31 December 2018 S$'000
The Group		
Segment assets		
Total assets for reportable segments	**3,391**	4,921
Elimination	**(2,345)**	(1,758)
Consolidated total assets	**1,046**	3,163

	31 December 2019 S$'000	31 December 2018 S$'000
The Group		
Segment liabilities		
Total liabilities for reportable segments	**3,706**	5,211
Elimination	**(2,345)**	(1,758)
Consolidated total liabilities	**1,361**	3,453

23 Segments information (Continued)

(b) Geographical segments

The Group operates mainly in Singapore (country of domicile) and Malaysia. The Company is headquartered and has operations in Singapore. The operations in this area are principally Group-level investment, treasury function, engineering consultancy and trading of copper cathodes.

The Group's revenue for the financial years ended 31 December 2019 and 2018 were derived as follows:

	The Group		**The Company**	
	31 December 2019 S$'000	**31 December 2018 S$'000**	**31 December 2019 S$'000**	**31 December 2018 S$'000**
Singapore	**20,961**	54,977	**–**	–
Malaysia	**131**	–	**131**	–
	21,092	54,977	**131**	–

As at 31 December 2019, non-current assets representing right-of-use assets, investment in joint venture and finance lease receivables are located in the country of incorporation, Singapore. There are no non-current assets as at 31 December 2018.

24 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and its risk management philosophy. The Group and the Company are exposed to financial risks arising from their operations. The key financial risks included credit risk, currency risk, liquidity risk, interest rate risk and price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's and the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, currency risk, liquidity risk, interest rate risk, price risk, use of derivative and non-derivate financial instruments.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which they manage and measure the risk.

24.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.1 Credit risk (Continued)

The Group's and Company's exposure to credit risk arises primarily from its trade and other receivables and finance lease receivables. The Group's and Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and Company determine concentrations of credit risk by monitoring the country of its trade and other receivables and finance lease receivables on an ongoing basis. The credit risk concentration profile of the Group's and Company's trade and other receivables and finance lease receivables at the reporting date is as follows:

Trade and other receivables and finance lease receivables by country:

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Singapore	**323**	2,717	**104**	26
Malaysia	**131**	–	**131**	–
Switzerland	**96**	242	**–**	–
	550	2,959	**235**	26

Financial assets that are neither past due nor impaired

Trade and other receivables and finance lease receivables that are neither past due nor impaired, are creditworthy debtors with good payment records with the Group and Company. Cash and cash equivalents are placed with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are past due but not impaired

Trade and other receivables and finance lease receivables that are past due but not impaired are debtors with good payment records and have no history of default with the Group and Company. Thus, the Group and Company considered the ECL for loss allowance to be not material.

At the end of the reporting period, approximately 58% (2018 – 100%) of the Group's trade receivables were due from 1 (2018 – 1) major customer.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.1 Credit risk (Continued)

Exposure to credit risk (Continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	31 December 2019 S$'000	31 December 2018 S$'000
The Group		
Financial assets		
Finance lease receivables	**82**	–
Trade and other receivables, excluding prepayments	**468**	2,959
Cash and cash equivalents	**406**	199
	956	3,158

	31 December 2019 S$'000	31 December 2018 S$'000
The Company		
Financial assets		
Finance lease receivables	**82**	–
Trade and other receivables, excluding prepayments	**153**	26
Cash and cash equivalents	**100**	110
	335	136

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of S$406,000 and S$100,000 respectively as at 31 December 2019 (2018 – S$199,000 and S$110,000 respectively). The cash and cash equivalents are held with reputable banks.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposure. 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 negligible.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.1 Credit risk (Continued)

Trade and other receivables (including finance lease receivables)

The Company and the Group apply the SFRS(I) 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and finance lease receivables. To measure the expected credit losses, trade receivables (including finance lease receivables) have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit loss experiences. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company and the Group have identified the gross domestic product of Singapore, the country in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

For all other financial assets, it is considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected credit losses. Management considers "low credit risk" when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flows obligations in the near term.

Trade receivables and other receivable (including finance lease receivables) are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables and other receivables (including finance lease receivables) are presented as net impairment losses within other expenses. Subsequent recoveries of amounts previously written off are credited to other operating income. The closing loss allowances for trade and other receivables as at the reporting date reconcile to the opening loss allowances, if any, are disclosed in Note 7.

The following table provides information about the exposure to credit risk and ECL for trade receivables and other receivables (including finance lease receivables) from individual customers as at 31 December 2019 and 2018:

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Group			
At 31 December 2019			
Current (not past due)	**454**	**–**	**No**
1-30 days past due	**96**	**–**	**No**
31-60 days past due	**–**	**–**	**N.A.**
More than 60 days past due	**–**	**–**	**N.A.**
	550	**–**	

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.1 Credit risk (Continued)

Trade and other receivables (including finance lease receivables) (Continued)

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Group			
At 31 December 2018			
Current (not past due)	27	–	No
1-30 days past due	2,932	–	No
31-60 days past due	–	–	N.A.
More than 60 days past due	–	–	N.A.
	2,959	–	

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Company			
At 31 December 2019			
Current (not past due)	**235**	**–**	**No**
1-30 days past due	**–**	**–**	**N.A.**
31-60 days past due	**–**	**–**	**N.A.**
More than 60 days past due	**–**	**–**	**N.A.**
	235	**–**	

	Gross carrying amount S$'000	Impairment loss allowance S$'000	Credit impaired
The Company			
At 31 December 2018			
Current (not past due)	26	–	No
1-30 days past due	–	–	N.A.
31-60 days past due	–	–	N.A.
More than 60 days past due	–	–	N.A.
	26	–	

N.A. – Not applicable

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group is exposed to foreign exchange risk as it maintains its assets and liabilities in various currencies. Exposure to currency risk is monitored on an ongoing basis and the Group endeavors to keep its net exposure at an acceptable level.

The Group has transactional currency exposures arising from its ordinary course of business that are denominated in a currency other than the functional currency of the Group's entities. The foreign currencies in which these transactions are denominated are mainly in Malaysian Ringgit ("MYR").

As at 31 December 2019 and 2018, the Group's and the Company's foreign currency risk exposure are as follows:

	MYR S$'000	USD S$'000	SGD S$'000	Total S$'000
The Group				
At 31 December 2019				
Financial assets				
Finance lease receivables	–	–	82	82
Trade and other receivables	131	315	22	468
Cash and cash equivalents	–	296	110	406
	131	611	214	956
At 31 December 2019				
Financial liabilities				
Trade and other payables	–	(89)	(393)	(482)
Lease liabilities	–	–	(164)	(164)
Borrowings	–	–	(715)	(715)
	–	(89)	(1,272)	(1,361)
Net financial assets/(liabilities)	131	522	(1,058)	(405)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	–	(522)	1,068	546
Currency exposure on financial assets	131	–	10	141

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.2 Currency risk (Continued)

	MYR S$'000	USD S$'000	SGD S$'000	Total S$'000
The Company				
At 31 December 2019				
Financial assets				
Finance lease receivables	**–**	**–**	**82**	**82**
Trade and other receivables	**131**	**–**	**22**	**153**
Cash and cash equivalents	**–**	**–**	**100**	**100**
	131	**–**	**204**	**335**
Financial liabilities				
Trade and other payables	**–**	**–**	**(2,732)**	**(2,732)**
Lease liabilities	**–**	**–**	**(164)**	**(164)**
Borrowings	**–**	**–**	**(715)**	**(715)**
	–	**–**	**(3,611)**	**(3,611)**
Net financial assets/(liabilities)	**131**	**–**	**(3,407)**	**(3,276)**
Net financial assets denominated in the respective entities' functional currency	**–**		**3,407**	**3,407**
Currency exposure on financial assets	**131**	**–**	**–**	**131**

	USD S$'000	SGD S$'000	Total S$'000
The Group			
At 31 December 2018			
Financial assets			
Trade and other receivables	2,932	27	2,959
Cash and cash equivalents	78	121	199
	3,010	148	3,158
At 31 December 2018			
Financial liabilities			
Trade and other payables	(2,196)	(1,057)	(3,253)
Borrowings	–	(200)	(200)
	(2,196)	(1,257)	(3,453)
Net financial assets/(liabilities)	814	(1,109)	(295)
Net financial assets/(liabilities) denominated in the respective entities' functional currency	(814)	1,120	306
Currency exposure on financial assets	–	11	11

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.2 Currency risk (Continued)

	USD S$'000	SGD S$'000	Total S$'000
The Company			
At 31 December 2018			
Financial assets			
Trade and other receivables	–	26	26
Cash and cash equivalents	–	110	110
	–	136	136
Financial liabilities			
Trade and other payables	–	(2,814)	(2,814)
Borrowings	–	(200)	(200)
	–	(3,014)	(3,014)
Net financial liabilities	–	(2,878)	(2,878)
Net financial liabilities denominated in the respective entities' functional currency	–	2,878	2,878
Currency exposure on financial assets/(liabilities)	–	–	–

Sensitivity analysis for foreign currency risk

A 3% (2018 – 3%) strengthening/(weakening) of the above currencies against the respective functional currencies of the operating entities at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

	31 December 2019		31 December 2018	
	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000	Equity S$'000
	Increase/(Decrease)		Increase/(Decrease)	
The Group				
MYR against SGD				
– strengthened 3%	**4**	**4**	–	–
– weakened 3%	**(4)**	**(4)**	–	–
SGD against USD				
– strengthened 3%	**–***	**–***	–	–
– weakened 3%	**–***	**–***	–	–

* Less than S$1,000.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.2 Currency risk (Continued)

Sensitivity analysis for foreign currency risk (Continued)

	31 December 2019		31 December 2018	
	Profit before tax S$'000	Equity S$'000	Loss before tax S$'000	Equity S$'000
	Increase/(Decrease)		Increase/(Decrease)	
The Company				
MYR against SGD				
– strengthened 3%	**4**	**4**	–	–
– weakened 3%	**(4)**	**(4)**	–	–

24.3 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. As part of its overall prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital requirement.

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

		Contractual undiscounted cash flows			
	Carrying amount S$'000	Total S$'000	Less than 1 year S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000
The Group					
As at 31 December 2019					
Trade and other payables	**482**	**482**	**482**	**–**	**–**
Lease liabilities	**164**	**182**	**46**	**136**	**–**
Borrowings	**715**	**732**	**15**	**717**	**–**
	1,361	**1,396**	**543**	**853**	**–**
As at 31 December 2018					
Trade and other payables	3,253	3,253	3,091	162	–
Borrowings	200	212	–	212	–
	3,453	3,465	3,091	374	–

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 Financial risk management objectives and policies (Continued)

24.3 Liquidity risk (Continued)

	Carrying amount S$'000	Contractual undiscounted cash flows Total S$'000	Less than 1 year S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000
The Company					
As at 31 December 2019					
Trade and other payables	**2,732**	**2,732**	**2,732**	**–**	**–**
Lease liabilities	**164**	**182**	**46**	**136**	**–**
Borrowings	**715**	**732**	**15**	**717**	**–**
	3,611	**3,646**	**2,793**	**853**	**–**
As at 31 December 2018					
Trade and other payables	2,814	2,814	2,652	162	–
Borrowings	200	212	–	212	–
	3,014	3,026	2,652	374	–

24.4 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.

At the reporting date, the Group and the Company are not exposed to significant interest rate risk since it does not hold any variable rate financial liabilities.

24.5 Market price risk

At the reporting date, the Group is exposed to market price risk due to the commodities future contracts traded by the Group. The Group purchases and sells commodities future contracts with the purpose of managing market exposure to adverse price movements in the commodities. The Group has established policies and exposure limits that restrict the amount of unhedged fixed price physical positions in the commodities. Thus, the exposure to market price risk is minimal. Accordingly, no sensitivity analysis is disclosed.

25 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

25 Capital management (Continued)

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

Management monitors capital with reference to net debt to total capital ratio. The Group's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

The net debt to total capital ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings and lease liabilities less cash and bank balances. Total equity is calculated as share capital plus reserves. Total capital is calculated as total equity plus net debt.

The Group currently has not adopted any formal dividend policy.

The Group is not subjected to externally imposed capital requirements.

The net debt to total capital ratio is calculated as follows:

	The Group		The Company	
	31 December 2019 S$'000	31 December 2018 S$'000	31 December 2019 S$'000	31 December 2018 S$'000
Net debt	**473**	1	**779**	90
Total equity	**(315)**	(290)	**(3,184)**	(2,871)
Total capital	**158**	(289)	**(2,405)**	(2,781)
Net debt to total capital ratio	**3.0**	N.M.	**N.M.**	N.M.

N.M. – Not meaningful due to deficit in total capital.

26 Financial instruments

26.1 Fair value measurement

Definition of fair value

SFRS(I)s define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26 Financial instruments (Continued)

26.1 Fair value measurement (Continued)

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value measurement of financial assets and financial liabilities

The following summarises the significant methods and assumptions used in estimating fair values of financial instruments of the Group.

Non-current financial assets and financial liabilities

The fair values of non-current finance lease receivables, other payables, lease liabilities and borrowings are estimated by discounted cash flow analysis, using market borrowing rates for similar instruments and approximated the carrying value as at the reporting date.

Other financial assets and financial liabilities

The carrying amounts of other financial assets and financial liabilities (trade and other receivables, finance lease receivables, trade and other payables, lease liabilities, borrowings, and cash and cash equivalents) which have a maturity of less than one year approximate their fair value because of the short-term period of maturity.

Financial assets and liabilities (Level 2)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of commodities forward and foreign exchange forward contracts are determined using observable commodities futures and foreign exchange forward prices at the reporting date. These are classified as Level 2 and comprise derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26 Financial instruments (Continued)

26.1 Fair value measurement (Continued)

Financial assets and liabilities (Level 2) (Continued)

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
The Group				
31 December 2019				
Derivative financial liabilities	**–**	**2**	**–**	**2**
31 December 2018				
Derivative financial liabilities	–	–	–	–

There were no financial assets measured as Level 1 and Level 3.

26.2 Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis

The carrying amount of these financial assets and liabilities approximate their respective fair value due to the relatively short-term nature of these financial instruments.

The fair value of the non-current financial liabilities and borrowings are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates available to the Group and the Company at the reporting date.

The fair value of the non-current financial liabilities and borrowings approximate its respective carrying value as the impact of a change in market interest rate is not expected to be significant.

27 Subsequent events

An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported in China on 31 December 2019. At the date of these financial statements, while the outbreak has been most severe in Asia, it has spread to various regions around the world, including Australia, Europe, Middle East and the United States of America. The Group operates in Singapore and Malaysia, which are affected by the outbreak. While the full impact to the Group cannot be quantified reliably, the Group's performance subsequent to the end of reporting period is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

STATISTICS OF SHAREHOLDINGS

Number of issued and paid-up shares	:	41,316,907,761
Number of treasury shares held by the Company	:	Nil
Class of shares	:	Ordinary Share
Voting rights	:	One vote per share

Based on the information available to the Company as at 16 March 2020, approximately 41.32% of the issued shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders)

	Number of shares			
NAME OF SUBSTANTIAL SHAREHOLDER	**Direct Interest**	**Deemed interest**	**Total**	**%**
TEH WING KWAN	11,871,961,100	–	11,871,961,100	28.73
TAN TIAN HONG JEFFREY*	157,435,680	5,626,249,540	5,783,685,220	0.14
PLATON RESOURCES PTE. LTD.	5,056,000,000	–	5,056,000,000	12.24
APZENITH CAPITAL PTE LTD	4,390,918,693	–	4,390,918,693	10.63
WENG HUA YU @ SIMON ENG**	–	2,196,098,403	2,196,098,403	5.31

* Tan Tian Hong Jeffrey is deemed interested in 5,056,000,000 shares held through his 100% interest in Platon Resources Pte Ltd and 570,249,540 shares held through his 49% interest in Sunrise Investors Pte Ltd.

** Simon Eng is deemed interested in 1,348,995,104 shares held through his 50% interest in Fort Canning (Asia) Pte Ltd, 674,644,521 shares held through his 50% interest in Belle Forte Ltd and 172,458,778 shares held through his 21.3% interest in Metech International Limited.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	155	2.95	3,470	0.00
100 – 1,000	136	2.58	90,897	0.00
1,001 – 10,000	923	17.54	6,483,584	0.02
10,001 – 1,000,000	3,309	62.90	869,665,213	2.10
1,000,001 AND ABOVE	738	14.03	40,440,664,597	97.88
TOTAL	**5,261**	**100.00**	**41,316,907,761**	**100.00**

STATISTICS OF SHAREHOLDINGS

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TEH WING KWAN	11,871,961,100	28.73
2	PLATON RESOURCES PTE. LTD.	5,056,000,000	12.24
3	APZENITH CAPITAL PTE LTD	4,390,918,693	10.63
4	RAFFLES NOMINEES (PTE.) LIMITED	2,013,853,500	4.87
5	TAN ANTHONY @ TAN AH SENG	1,980,000,000	4.79
6	FORT CANNING (ASIA) PTE LTD	1,348,995,104	3.26
7	LIM CHWEE POH	1,247,104,194	3.02
8	TEO YI-DAR (ZHANG YIDA)	1,000,000,000	2.42
9	BELLE FORTE LTD	674,644,521	1.63
10	OCBC SECURITIES PRIVATE LIMITED	632,760,608	1.53
11	TAN PENG BOON	578,332,380	1.40
12	SUNRISE INVESTORS PTE LTD	570,249,540	1.38
13	FIRSTLINK CAPITAL PTE. LTD.	473,415,000	1.15
14	QUAH CHUNG MING MICHAEL	442,171,488	1.07
15	SONG TANG YIH	417,261,086	1.01
16	LIM LIANG MENG	335,000,780	0.81
17	UOB KAY HIAN PRIVATE LIMITED	199,471,356	0.48
18	ENG WAH YOUND	197,000,000	0.48
19	DBS NOMINEES (PRIVATE) LIMITED	182,018,860	0.44
20	KIM LAY GEK	180,540,631	0.44
	TOTAL	**33,791,698,841**	**81.78**

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