ANNAIK LIMITED

ANNUAL REPORT 2013

DEFINING POSITION STRENGTHENING FOCUS

Our **Vision**

To be a global leader in stainless steel piping products, known for our outstanding quality and unique upstream and downstream capabilities, from manufacturing to distribution to engineering construction and environmental business.

Contents

AnnAik **Corporate Profile**

2012 marks 35 years since AnnAik started out to become the leading stainless steel product stockist, distributor and manufacturer known globally for quality and customised solutions. As the Group is set to relocate to its new office in 2013, a brand new beginning of renewed commitment and innovation awaits. And with that, the Group is ready to take on new challenges and opportunities, reaching for greater success in the next 35 years and beyond.

Manufacturing

- Shinsei steel flanges and Both-Well high pressure forged fittings
- Awarded ISO 9001:2008, TUV, CRN, BV, CCS, SASOL certification and approval for international product standard compliance
- Serve a wide base of customers from USA, Canada, Mexico, Brazil, Argentina, Chile, Japan, Taiwan, Australia, New Zealand, Holland, Denmark, Germany, Belgium, Spain, France, Turkey, UAE, Saudi Arabia, South Africa and ASEAN countries

Product Stockist & Distributor

- Warehouse holds over 10,000 stainless steel pipes, flanges, buttwelded fittings, low/high pressure fittings, valves, stub ends, and flat products
- Awarded: ISO 9001:2008 standards for quality management operation as stainless steel producer and stockist
- Over 450 customers across the region

Environmental Technology & Engineering Service

- Design fabrication, installation testing & commissioning of mechanical systems in process plants using stainless steel
- Construct & operate industrial waste water treatment plants in PRC
- Consulting service in water resource management to governmental & commercial operators

Chairman's **Message**

" The Group is ready to take on the forthcoming challenges by reassessing our strategies, keeping our costs down and strengthening our sales in the regional markets. "

Dear Shareholders,

2013 proved challenging for many in the industry. While the global economy is slowly but surely picking up steam, businesses like ours bore the brunt of intense competition and overproduction. For AnnAik, the year's performance was also affected by the exclusion of the one-off gain on disposal of property and ex gratia payment, which have both been accounted for in the previous year, as well as additional allowance made for claim on contract work and impairment of available-for-sale investments.

In the midst of it all, net loss attributable to owners of AnnAik Limited came in at $0.27 million, as compared to the net profit of $2.49 million in 2012.

Reviewing 2013

Similarly, revenue dropped 36.54% to $52.41 million, principally due to the divestment of Shinsei (Taizhou) Steel Flanges Co., Ltd ("Shinsei Taizhou"), which resulted in the incorporation of only its first six months' revenue in the financial year.

Despite the decrease in Group revenue, gross profit was comparable with that of the previous year at $11.76 million. Notably, gross profit margin improved substantially from 13.99% to 22.44%. This was attributed to the omission of the loss registered by Shinsei Taizhou following its strategic divestment in the second half of the year.

Restructuring Gains Momentum

The divestment, which is part of the Group's ongoing restructuring efforts, was imperative to minimise cost in the long-term and to enable resource consolidation. In line with this strategy, we have embarked on building a new manufacturing plant in Penang, Malaysia. Its completion will herald a new era for our manufacturing business.

In April 2013, our headquarters was officially relocated to 52 Tuas Avenue 9. The relocation marked an important milestone for the Group as the compound layout complements the workflow and the automated facilities bring about higher effectiveness and efficiency for the Group. Come the first quarter of 2014, the second phase of the plant development will also be completed. With this, we will see the warehousing and the distribution functions become fully consolidated. We are excited about the possibilities a more integrated operation will bring to our clients.

Corporate Social Responsibility

We believe that the principles of corporate social responsibility are an integral part of our business. As such, we do business in a socially responsible manner, and not pursue profitability as our singular focus.

This year, we sealed a $150,000 sponsorship agreement with the Singapore Wushu Dragon & Lion Dance Federation. The sponsorship, spread over a span of three years, will not only go into grooming local Wushu talents including lion and dragon dance teams, but also contribute to the promotion and preservation of these traditional Chinese sport and dances.

Stepping up our commitment to ensuring the continuation of traditional Chinese culture for posterity, we also supported the River Hongbao 2014, a carnival held during the Lunar New Year festivity to cultivate a sense of belonging and harmony among the Chinese community. Other non-profit organisations that we were honoured to sponsor in 2013 include the Singapore Badminton Association, Loving Heart Multi-Service Centre and Singapore Buddhist Lodge Welfare Foundation, to name a few.

Looking Ahead

Moving forward, we anticipate 2014 to pose uncertainties even as US and Europe tide over the financial crisis. Most significantly, China, the world's manufacturing powerhouse, will continue to experience sluggish demand. This, combined with excess production, will mean falling prices and eroding profit margins specifically for our distribution and manufacturing segments.

Chairman's **Message**

However, the Group is ready to take on the forthcoming challenges by reassessing our strategies, keeping our costs down and strengthening our sales in the regional markets.

Where our environmental business is concerned, growing awareness about the environment is expected to give rise to more opportunities. In 2013, we already saw the potential of the business actualise when the volume of water treated increase with the completion of the second phase of expansion of our water treatment plant. As such, in 2014, we look to ride on the positive momentum and position ourselves to take advantage of the growth in this emerging market.

Dividend

The Board of Directors is pleased to propose a first and final one-tier tax-exempt dividend of 0.10 cent per share for the year ended 31 December 2013. The dividend will be paid out to shareholders upon approval at the annual general meeting.

A Note of Thanks

Certainly, we would not have come this far without the support of our shareholders, customers and business associates. For that, I would like to offer my sincere appreciation for the trust and confidence they have placed in us. Deepest thanks also go to our dedicated employees and Board of Directors.

As we welcome on board two new directors Dr Yang Guo Ying and Mr Benjamin Ow Eei Meng, who bring with them invaluable expertise in their respective fields, I have no doubt that we will continue to work – and advance – as one.

James Ow Chin Seng
Executive Chairman cum CEO

Board of **Directors**

Board of **Directors**

Mr. OW Chin Seng, PBM 1

Date of first appointment: 31 March 1990
Date of last re-appointment: 26 April 2013
(Executive Chairman cum CEO)

Mr. Ow joined the Company in 1978. As Executive Chairman, Mr. Ow is primarily responsible for the business and strategic development of the Group. With over 35 years of experience in the hardware and steel industry, Mr. Ow has been instrumental in the strategic direction and development of the Group.

Mr. Ow is currently the President of the Singapore Metal & Machinery Association and Vice President of the Singapore-China Business Association. He is also active in public service activities, serving as a member on the committees of several public organisations, such as Advisor of School Advisory Committee for Pei Tong Primary School, Patron of Bukit Gombak Citizens' Consultative Committee and Honorary Chairman of Singapore Wushu Dragon & Lion Dance Federation. He was awarded the title of Pingat Bakti Masyarakat (PBM) during the National Day Award Ceremony in 2007.

Present directorships in listed company: Nil
Past directorships held over preceding three years in listed company: Nil

Mr. Koh Beng Leong, CPA 2

Date of first appointment: 1 January 2011
Date of last re-appointment: 26 April 2013
(Executive Director)

Mr. Koh assists the Executive Chairman cum CEO in managing the Group's operations, development and expansion. Mr. Koh holds a Masters of Professional Accounting and a Degree in Economics. He is a current member of CPA Australia and Kampuchea Institute of Certified Public Accountants & Auditors. Prior to his appointment, he has held key management positions in various companies in Singapore and Vietnam. Currently, he also serves as an Independent Director of a SGX Catalist company.

Present directorships in listed company: Sunlight Group Hldg Limited
Past directorships held over preceding three years in listed company: Nil

Mdm. Low Kheng 3

Date of first appointment: 10 April 2000
Date of last re-appointment: 28 April 2011
(Executive Director)

Mdm. Low joined the Company in 1977. As Executive Director and Head of Distribution Division, Mdm. Low is responsible for the marketing and sales of the Group's products in Singapore. She has over 35 years of experience in the hardware and steel industry.

Present directorships in listed company: Nil
Past directorships held over preceding three years in listed company: Nil

Mr. Ng Kim Keang 4

Date of first appointment: 3 January 2005
Date of last re-appointment: 27 April 2012
(Executive Director)

Mr. Ng joined the Company in January 2003. He is responsible for finance, accounting, treasury, budgeting and taxation matters of the Group. Prior to joining the Company, he worked in Deloitte & Touche, Malaysia, and Ernst & Young, Singapore. Mr. Ng holds a Bachelor of Commerce from the University of Adelaide, Australia, and is a full member of CPA Australia and CPA Singapore.

Present directorships in listed company: Nil
Past directorships held over preceding three years in listed company: Nil

Dr. Yang GuoYing 5

Date of first appointment: 1 July 2013
Date of last re-appointment: NA
(Executive Director)

Dr. Yang joined AnnAik in May 2005 as Vice General Manager of Environmental Business in China, and was promoted to Deputy Director in November 2011 and Executive Director in July 2013, respectively. He is currently responsible for managing, developing and expanding the environmental businesses of the Company in Singapore and overseas markets. Before joining the Company, Dr. Yang worked in ECO Industrial Environmental Engineering Pte Ltd as Chief Chemist/Technical Development Manger and DSO National Laboratories as Senior Member of Technical Staff. Dr. Yang holds a Doctorate degree in Philosophy (Chemistry) from the National University of Singapore, Master of Science (Chemistry) from Shanghai Institute of Organic Chemistry, Chinese Academy of Science, and Bachelor of Science (Chemistry) from Wuhan University, China.

Present directorships in listed company: Nil
Past directorships held over preceding three years in listed company: Nil

Mr. Ow Eei Meng Benjamin 6

Date of first appointment: 1 July 2013
Date of last re-appointment: NA
(Alternate Director to Mdm. Low Kheng)

Mr. Benjamin Ow holds a Master of Commerce from Macquarie University, Australia and Degree in Computing from the National University of Singapore. Mr. Benjamin Ow previously worked in the Company's IT department from 2007 to 2008 before going on to pursue further studies. Currently, he is actively involved in the areas of supply chain, project management, risk assessment and strategic planning.

Present directorships in listed company: Nil
Past directorships held over preceding three years in listed company: Nil

Mr. Ang Mong Seng, BBM 7

Date of first appointment: 31 July 2003
Date of last re-appointment: 27 April 2012
(Independent Director)

Mr. Ang is the former Member of Parliament for Hong Kah GRC (Bukit Gombak) and the Ex-Chairman of Hong Kah Town Council. Mr. Ang has more than 34 years of experience in estate management and holds a Bachelor of Arts from Nanyang University. Mr. Ang is currently serving as an Independent Director of several public-listed companies in Singapore.

Present directorships in listed company: Gaylin Holdings Limited, Hoe Leong Corporation Limited, United Fiber System Limited, Ecowise Holdings Limited, Chip Eng Seng Corporation Limited
Past directorships held over preceding three years in listed company: Vicplas International Limited

Mr Lee Bon Leong, PBM, BBM, JP 8

Date of first appointment: 31 July 2003
Date of last re-appointment: 26 April 2013
(Independent Director)

Mr. Lee is a Senior Partner in Lee Bon Leong & Co. He holds a Master of Laws from the University of Singapore. Mr. Lee has been appointed as a Justice of the Peace by the President of Singapore since November 1998 and serves as a member of the Board of Visiting Justices and the Board of Inspection. He has been a member of the Panel for the Disciplinary Committee of Enquiry, Public Service Commission, since August 2000. Mr. Lee has recently been appointed as Honorary Secretary and Trustee of the Inmates' Families Support Fund and member of the Institutional Discipline Advisory/Review Committee (IDAC/IDRC).

Mr. Lee was conferred with the Public Service Star (BBM) award in the year 2012.

Present directorships in listed company: Asia Enterprises Holding Limited, Megachem Limited,
Past directorships held over preceding three years in listed company: Nil

Dr. Choong Chow Siong 9

Date of first appointment: 31 July 2003
Date of last re-appointment: 27 April 2012
(Independent Director)

Dr. Choong was an audit partner and has over 32 years of experience as a practising accountant. Dr. Choong is a Fellow Member of the Institute of Singapore Chartered Accountants (FCA, Singapore), and a member of the Chartered Institute of Arbitrators (MCIArb), UK.

Dr. Choong served on the Hot Review Panel of Institute of Certified Public Accountants of Singapore (ICPAS) from 2009 to 2011. He is the co-author of the book entitled "Revenue Accounting and the 5R Revenue Theory for Management Reporting", published in 2001. This book was submitted to the International Accounting Standards Board (IASB), UK, in 2002. In June 2004, he received an appreciation letter in relation to his research on revenue reporting and UK Revenue Recognition (FRS5 – G9 of Accounting Standards Board (ASB), UK, November 2003) from the Chairman of IASB. On 14 November 2011, the issue of third Exposure Draft of IASB on new revenue reporting of IASB is consistent with Dr. Choong's 5R Revenue Theory (1991 & 2001).

Present directorships in listed company: Straco Corporation Limited, Viva Industrial Trust (managed by Viva Industrial Trust Management Pte. Ltd. and Viva Asset Management Pte. Ltd.)
Past directorships held over preceding three years in listed company: Nil

Mr. Daniel Lin Wei 10

Date of first appointment: 24 May 2010
Date of last re-appointment: 28 April 2011
(Non-Executive Director)

Mr. Daniel Lin is currently an Executive Director of Singapore-listed company Viking Offshore & Marine Ltd. Mr. Daniel Lin is also responsible for Viking's investment arm, Viking Capital, and holds the portfolio of Chief Executive Officer for Viking's wholly-owned subsidiary, Viking Asset Management.

Prior to this, Mr. Daniel Lin was an Executive Director of Boutique Mergers & Acquisitions Advisory Firm Blue Ocean Capital Partners, providing bespoke corporate finance advice to high net worth individuals. Mr. Daniel Lin sits on the board of Singapore-listed company, Nico Steel Holdings Ltd as a Non-Executive Director. He is also a member of the Finance Committee with the Singapore Institute of Directors. He graduated with an honours degree in law in 2007 from Bristol University, United Kingdom.

Present directorships in listed company: Viking Offshore And Marine Limited, Nico Steel Holdings Limited
Past directorships held over preceding three years in listed company: Nil

Group **Structure**

as at 31 December 2013

ANNAIK LIMITED

Manufacturing Business

- 75% Shinsei Superinox Pte Ltd
  - 100% Shinseisuperinox Industry Sdn. Bhd.

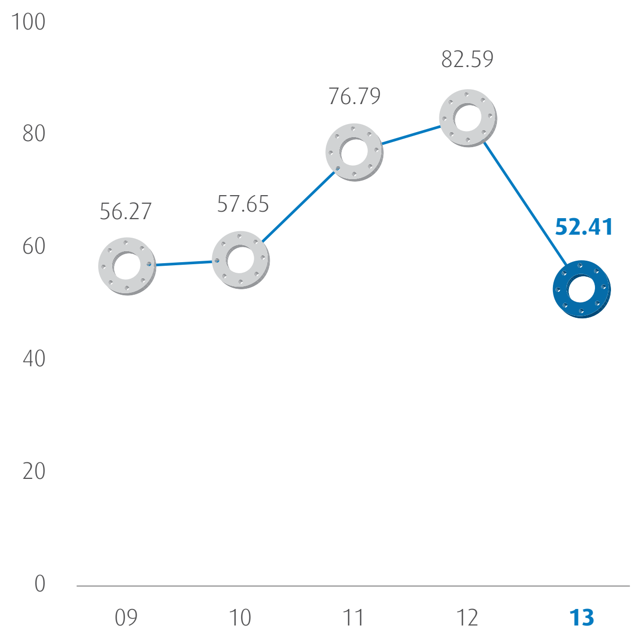
Distribution Business

- 100% Ann Aik Pte Ltd
- 70% Wesco Steel Pte Ltd
- 50% Ichinose Emico Valves (S) Pte Ltd
- 65% AnnAik & Partners (S) Pte Ltd
  - 100% AnnAik Pipes & Fittings (Shanghai) Co., Ltd

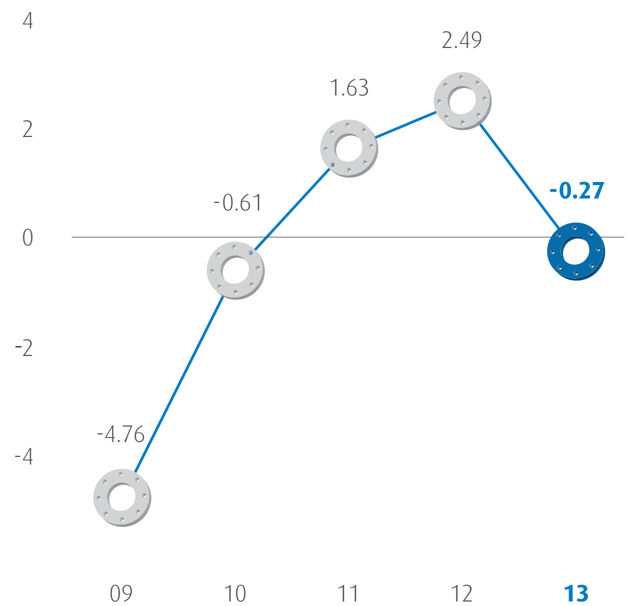
Environmental & Engineering Business

- 100% Anxon Environmental Pte Ltd
- 60% AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd
  - 100% ChangXing LiJiaXiang New Era Wastewater Treatment Co., Ltd
- 60% ChangXing AngWei Environmental & Ecological Engineering Co., Ltd
- 42% Shuanglin (Huzhou) Wastewater Treatment Co., Ltd
- 100% Anxon Eco Holdings Pte Ltd
  - 88% ChangXing LinSheng Wastewater Treatment Co., Ltd
    - 100% ChangXing WuSheng Wastewater Treatment Co., Ltd
- 51% Pioneer Environmental Technology Pte Ltd
- 100% Anxon Engineering Pte Ltd
- 100% Sky Park Pte Ltd

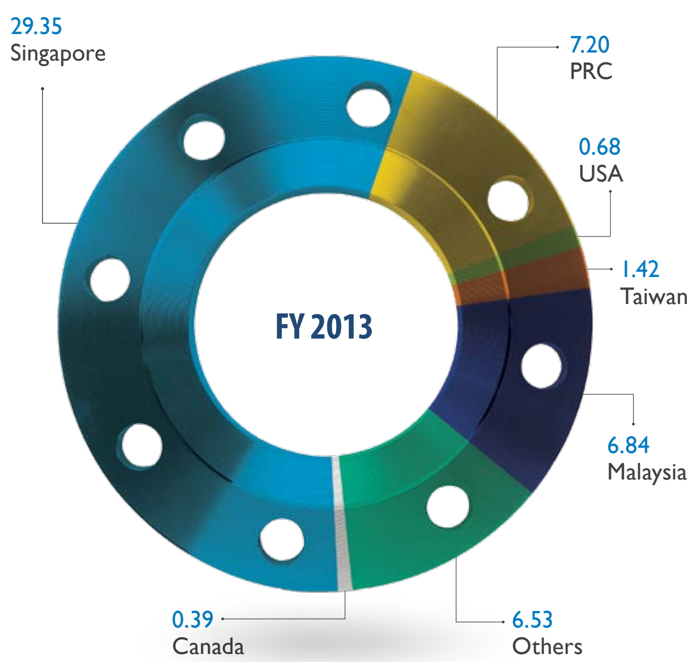
Financial **Highlights**

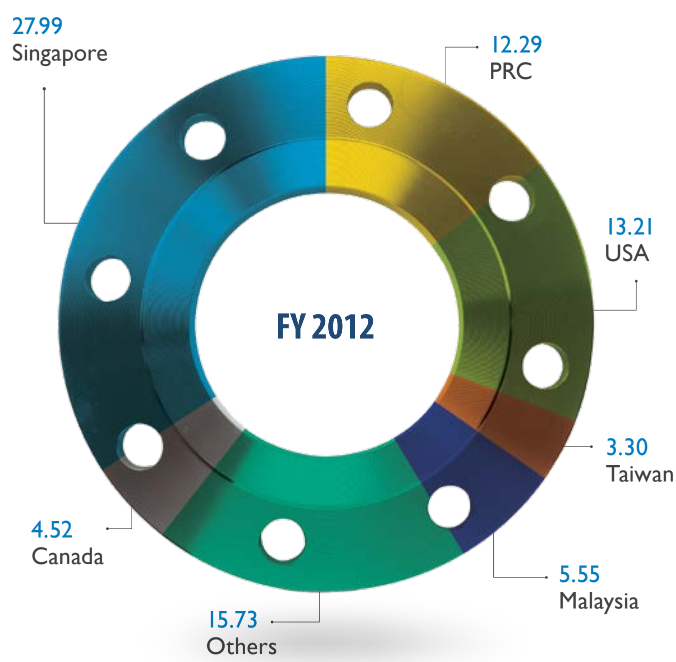


Turnover
(S$ Million)



Net Profit Attributable to Owners of the Company
(S$ Million)





Turnover by Geographical Area (S$ Million)

Operations **Review**

As a result of the demanding operating environment, Group revenue fell 36.54% from $82.59 million to $52.41 million. Consequently, net profit saw a decline of 72.94% to $0.49 million, as opposed to $1.81 million registered in 2012. The exclusion of the one-off gain on disposal of factory building of $1.88 million and ex gratia payment of $0.96 million, which have been accounted for in the previous year, as well as further allowance made for claim on contract work of $0.73 million and impairment of available-for-sale investments of $0.55 million in the current year affected the Group's performance. As of 31 December 2013, net loss attributable to equity holders of the Company stood at $0.27 million.

Distribution Business

Weak demand for stainless steel products, coupled with fierce market competition, caused the Group's distribution business to witness a decrease in sales of $1.31 million or 3.62%.

In a move to meet the continued challenges ahead, the Group expanded its distribution business with the joint incorporation of Ichinose Emico Valves (S) Pte Ltd with Ichinose Co., Ltd and an individual party from Eayuan Metal industrial Co Ltd in November 2013. The strategic partnership is expected to create greater business value as the Group is now able to complement its stainless steel piping solutions with a range of valve products.

In addition, with the upcoming consolidated warehousing facilities at the current headquarters in 52 Tuas Avenue 9, the Group will be better equipped to further expand its distribution business, which has perennially been a core aspect of the Group.

Manufacturing Business

The Group's manufacturing business was heavily impacted by the demand slowdown and excess industrial output in PRC during the year. Notably, the sales of steel flanges declined $30.59 million to reach $9.6 million as a result of the divestment of Shinsei (Taizhou) Steel Flanges Co., Ltd ("Shinsei Taizhou"). The divestment was made in response to the rising cost of production in PRC.

Undeterred, the Group will continue to solidify its position as a manufacturer and supplier of premium products for the oil, gas, marine and offshore sectors. Since the divestment of Shinsei Taizhou, a new manufacturing plant in Penang, Malaysia, is underway and scheduled for completion in the second half of 2014. With favourable production costs and stable government policies in Malaysia, underpinned by Penang's accessible geographic location to the Group's key customer markets, the milestone move is expected to bring about positive change for the manufacturing business.

Engineering and Environmental Business

The environmental business remained an increasingly major driving force for the Group's development. In 2013, sales generated by this division grew to $7.70 million, up $2.98 million as compared to the year before. The growth is mainly attributed to the delivery of projects secured in 2012, and a higher volume of treated water as a result of the completion of the second phase of expansion at the wastewater treatment plants in PRC.

As the world becomes more and more aware of environmental issues, the Group looks to intensify its environmental business and seize the new opportunities presented by this sunrise industry.

Outlook for 2014

In the coming year, the industry environment is likely to remain tough despite economic recovery in the US and Europe. Among others, the challenges include the strengthening of the US dollar against the Singapore dollar, rising competition from Chinese manufacturers as well as persistent overproduction in PRC which will inevitably undermine market price.

In view of these impending concerns, the Group will stay focused on building its core strengths while employing cost-effective policies and keeping an active lookout for any changes in the market. At the same time, the Group will constantly work to broaden its regional presence, strengthening the AnnAik brand name.

Corporate Directory

Board of Directors

Mr. Ow Chin Seng, PBM
Executive Chairman cum CEO

Mr. Ng Kim Keang
Mdm. Low Kheng
Mr. Koh Beng Leong, CPA
Dr. Yang Guo Ying
Mr. Ow Eei Meng Benjamin
(Alternate Director to Mdm. Low Kheng)
Executive Directors

Mr. Daniel Lin Wei
Non-Executive Director

Mr. Ang Mong Seng, BBM
Mr. Lee Bon Leong, PBM, BBM, JP
Dr. Choong Chow Siong
Independent Directors

Corporate Information

Audit Committee

Dr. Choong Chow Siong *Chairman*

Mr. Lee Bon Leong, PBM, BBM, JP
Mr. Ang Mong Seng, BBM

Nominating Committee

Mr. Lee Bon Leong, PBM, BBM, JP
Chairman

Dr. Choong Chow Siong
Mr. Ang Mong Seng, BBM
Mr. Ow Chin Seng, PBM

Remuneration Committee

Mr. Ang Mong Seng, BBM *Chairman*

Mr. Lee Bon Leong, PBM, BBM, JP
Dr. Choong Chow Siong

Management Team

Distribution Division

Mr. Peh Choon Chieh
Acting General Manager (Operations) – Singapore

Mr. Loke Siew Meng
Senior Sales Manager – Singapore

Mr. Ow Eei Meng Benjamin
Supply Chain Manager – Singapore

Manufacturing Division

Mr. Lim Khan Choon
Deputy General Manager – Penang, Malaysia

Environmental Technology & Engineering Division

Dr. Qiu Jiangping
General Manager – PRC

Dr. Raymond Yang Guoying
Deputy GM – PRC
Director – Singapore

Company Secretary

Ms. Wong Yoen Har

Registered Office

52 Tuas Avenue 9
Singapore 639193
Tel: 65 6210 2727, 6210 2726
Fax: 65 6861 5705, 6861 6919
Email: sales_mktg@annaik.com

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623
Tel: 65 6536 5355
Fax: 65 6536 1360

Principal Bankers

United Overseas Bank Limited

80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Ltd

12 Marina Boulevard #43-03
Marina Bay Financial Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited

65 Chulia Street
#06-00, OCBC Centre East
Singapore 049514

Auditors

Ernst & Young LLP

Certified Public Accountants
(Partner: Michael Sim Juat Quee)
Date of appointment: Appointed with effect from 27 April 2012
One Raffles Quay
North Tower, Level 18
Singapore 048583

Corporate **Governance Statement**

The Board of Directors ("Board") of AnnAik Limited ("the Company") is committed to high standards of corporate governance and transparency within the Company and its subsidiaries ("the Group"). The Board believes that good corporate governance includes an ethical environment and enhances the interest of all shareholders.

The Board has taken steps to comply with most of the Code of Corporate Governance 2012 (the "Code") and the requirements of the Listing Manual of The Singapore Exchange Securities Trading Limited (SGX-ST) and is working to adopt the other changes where appropriate. In the meantime, steps have been taken, as far as practicable, towards compliance in the context of the Group's business and organisation structure. This report describes the Group's corporate governance process and activities.

Board Matters

Principle 1: The Board's Conduct of Affairs

The responsibilities of the Board include the following:

(a) review and approve corporate strategies, financial objectives and directions of the Group;
(b) establish goals for management and monitoring the achievement of these goals;
(c) ensure management leadership of high quality, effectiveness and integrity;
(d) approve annual budgets, major funding proposals and investment proposals;
(e) review internal controls, risk management, financial performance and reporting compliance; and
(f) assume responsibility for corporate governance.

The Board makes decisions in matters such as major funding proposals, acquisitions and divestments, disposal of major assets, corporate or financial restructuring, share issuances, dividends, annual budgets and financial plans of the Group, half yearly and annual financial reports, internal controls and risk management strategies and execution and other matters which require Board approval as specified under the Company's interested person transaction policy.

The Company has also scheduled regular meetings for this financial year. Ad-hoc meetings are convened when circumstances require. The Company's Articles of Association allow a board meeting to be conducted by way of a telephone conference or by means of a similar communication equipment whereby all persons participating in the meeting are able to hear each other. When circumstances require, ad hoc Board meetings will be arranged. The Board meets to review and discuss corporate strategies, key activities and major issues of the Group. The Board also ensures that effective management is in place and oversees the proper conduct of the Group's business. The Board is supported by the Audit Committee, Remuneration Committee and Nominating Committee.

Corporate **Governance Statement**

The number of meetings held after 29 March 2013 up to date of this report, and the attendance of the directors are set out in the table below.

Directors' attendance at Board and various Board Committees meetings:

Name of Directors	Board Committee		Audit Committee		Remuneration Committee		Nominating Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Ow Chin Seng	5	5	2	2*	2	2*	2	2
Mr. Koh Beng Leong	5	5	2	2*	2	2*	2	2*
Mr. Ng Kim Keang	5	5	2	2*	2	2*	2	2*
Mdm. Low Kheng	5	5	2	2*	2	2*	2	2*
Mr. Ow Eei Meng, Benjamin# (Alternate director to Mdm. Low Kheng)	5	3	2	2*	1	1*	1	1*
Dr. Yang Guo Ying#	5	3	2	2*	1	1*	1	1*
Mr. Daniel Lin Wei	5	5	2	2*	2	2*	2	2*
Mr. Ang Mong Seng	5	5	2	2	2	2	2	2
Mr. Lee Bon Leong	5	5	2	2	2	2	2	2
Dr. Choong Chow Siong	5	5	2	2	2	2	2	2

Notes:

* Attendance by invitation

Appointed with effect from 1 July 2013

The Company had arranged for the Board to be briefed by its lawyers on the continuing obligations and various requirements expected of a public company from time to time. Further, on an ongoing basis, the Company provides the members of the Board with regular updates to enable them to keep pace with regulatory changes. The Company secretary ensures that Board procedures are followed and the Company complies with the requirements of all applicable rules and regulations.

The Company will conduct briefings and orientation programmes to familiarise newly appointed directors with the various businesses, operations and processes of the Group. Further, newly appointed directors will be provided with a formal letter setting out their duties and obligations and appropriate training to ensure that they are fully aware of their responsibilities and obligations of being a director.

Principle 2: Board Composition and Guidance

The Board comprises ten directors, five of whom are executive directors, one non-executive director, three independent directors and one alternate director. Their collective experience and contributions are valuable to the Group. The directors as at the date of this report are listed as follows:

Mr. Ow Chin Seng, PBM	Executive Chairman cum Chief Executive Officer
Mr. Ng Kim Keang	Executive Director
Mdm. Low Kheng	Executive Director
Mr. Koh Beng Leong	Executive Director
Dr. Yang Guo Ying	Executive Director
Mr. Daniel Lin Wei	Non-Executive Director
Mr. Ang Mong Seng, BBM	Independent Director
Mr. Lee Bon Leong, PBM, BBM, JP	Independent Director
Dr. Choong Chow Siong	Independent Director
Mr. Ow Eei Meng, Benjamin	Alternate Director to Madam Low Kheng

Having reviewed its size, the Board is of the view that:-

a) the current arrangement is adequate given that the independent directors form at least one-third of the Board composition; and
b) the composition of directors as a whole provides core competencies necessary to meet the Group's requirements with an appropriate balance and diversity of skills, experiences and knowledge, taking into account the following:-

   (i) the nature and scope of the Group's operations; and
   (ii) the independent directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary.

The Company has a good balance of directors with a wide range of skills, experience and qualities in the fields of operations, management, financial, legal and accounting. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

Profiles of the directors are found on pages 6 and 7 of this Annual Report.

All appointments and re-elections of directors are reviewed and recommended by the Nominating Committee to the Board. The independence of each independent director is reviewed by the Nominating Committee and the Board annually in accordance with the guidelines of the Code.

The Board considers an independent director as one who has no relationship with the Company, its related corporations or its officers, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. The independence of each director is reviewed annually by Nominating Committee. Each independent director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines set out in the Code.

Although Dr. Choong Chow Siong, Mr. Lee Bon Leong and Mr. Ang Mong Seng served on the Board for more than nine years from the date of their first appointments, the NC rigorously reviewed their past contributions to the Group and considered that they are independent in character and judgement and there was no circumstance which would likely affect or appear to affect the directors' judgement.

To facilitate effective management, the Board has delegated specific responsibilities to three sub-committees, namely:-

1) Audit Committee;
2) Nominating Committee; and
3) Remuneration Committee.

These committees comprise a majority of independent directors. The effectiveness of each committee is also constantly monitored by the Board.

Where necessary, the Company co-ordinates informal meeting sessions for independent directors to meet without the presence of the management.

Principle 3: Chairman and Chief Executive Officer

The Executive Chairman cum Chief Executive Officer ("CEO") of the Company, Mr. Ow Chin Seng, is responsible for exercising control over the quality and timeliness of the flow of information between management and the Board and ensuring compliance with the Group's guidelines on corporate governance. Mr. Ow is also responsible for the business and strategic development, business operations and the development including the expansion of the Company. He ensures that Board meetings are held regularly in accordance with an agreed schedule of meetings.

The role of Chairman is not separate from that of the CEO as the Board considers that there is considerable accountability and transparency within the Group. The independent directors currently form one-third of the Board and exercise objective judgement on corporate matters impartially, thus ensuring a balance of power and authority. As such, it would not be necessary for the Group to effect a separation of the role of Chairman and CEO.

For the reasons as stated above, the Board is of the view that it is not necessary to appoint any lead independent director.

Principle 4: Board Membership

Nominating Committee ("NC")

The NC comprises four members, three of whom, including Chairman, are independent directors, Mr. Lee Bon Leong is the Chairman of the Committee, Dr. Choong Chow Siong and Mr. Ang Mong Seng. The NC's other member is Mr. Ow Chin Seng.

The NC is responsible for:-

(a) recommending to the Board of all board appointments and nomination of directors having regard to their contributions and performance based on a formal and transparent process;
(b) determining annually whether or not a director is independent;
(c) reviewing regularly the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the directors as a Group;
(d) deciding whether or not a director is able to and has been adequately carrying out duties as a director;
(e) deciding the manner in which the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;
(f) reviewing the training and professional development programs for the Board; and
(g) making and reviewing plans for succession.

The NC has reviewed the independence of Mr. Ang Mong Seng, Mr. Lee Bon Leong and Dr. Choong Chow Siong for FY2013 in accordance with the Code's definition of independence and is satisfied that there are no relationships which would deem any of them not to be independent.

Mr. Ow Eei Meng Benjamin is the alternate director to Mdm. Low Kheng and was appointed on 1 July 2013. This is to ensure the progressive renewal of the Board and succession and leadership development plans for senior management.

The NC decides how the Board's performance is evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders' value. This performance evaluation also includes consideration of the Company's share price performance over a five-year period vis-a-vis the Singapore Straits Times Index and a benchmark index of its industry peers. The Board also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board as a whole for FY2013.

Although the independent directors and non-executive director hold directorships in other companies which are not in the Group, the NC is of the view that there should be no restriction to the number of board representations of each director and the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as directors. These directors would widen the experience of the Board and give it a broader perspective.

The NC identifies, evaluates and selects suitable candidates for new directorships. The NC considers factors such as the ability of the prospective candidates to contribute to discussions, the composition of the Board including the mix of expertise, skills and attributes to the existing directors so as to identify needed and/ or desired competencies to supplement the Board's existing attributes.

The NC is satisfied that directors are able to and have adequately carried out their duties as directors of the Company.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a director.

The Articles of Association require that every director shall retire from office once every three years and for this purpose, at each Annual General Meeting ("AGM"), one third of the directors, or if their number is not a multiple of three, the number nearest to but not lesser than one-third of the directors, shall retire from office by rotation. In addition, a director appointed by the Board either to fill a casual vacancy or as an additional director, shall subject to retirement at the AGM immediately following his appointment but shall not be taken into account in determining the number of directors who are to retire by rotation at such a meeting. A retiring director is eligible for re-election at the meeting at which he retires.

The NC, in considering the re-election of a director, evaluates such director's contribution and performance, such as his attendance at meeting of the Board and/or Board committees, participation, candour and any special contribution.

The NC had held a meeting in February 2014 for the nomination of directors for the AGM.

The NC is of the opinion that the independence of the non-executive directors is maintained and that each director has contributed to the effectiveness of the Board as a whole and has recommended the re-election of the following directors to be put forward for re-election at the forthcoming Annual General Meeting:-

Mdm. Low Kheng	(Retiring pursuant to Article 115)
Mr. Daniel Lin Wei	(Retiring pursuant to Article 115)
Dr. Choong Chow Siong	(Retiring pursuant to Article 115)
Mr. Yang Guo Ying	(Retiring pursuant to Article 119)

Mr. Ow Eei Meng Benjamin was appointed as alternate director to Mdm. Low Kheng and Mr. Yang Guo Ying was appointed as executive director with effect from 1 July 2013.

Principle 5: Board Performance

The performance of the individual director is assessed on the basis of each director's contribution to the Group and/or the levels of participation in various Board committees and attendance at Board meetings.

In assessing the Board's performance as a whole, both quantitative and qualitative criteria are considered. Such criteria include return on equity and the achievement of strategic objectives.

The NC, in considering the re-appointment of any director, evaluates the performance of the director. The NC and the Chairman of the Board implemented a self-assessment process that required each director to assess the performance of the Board as a whole for FY2013. The self-assessment process took into consideration, inter alia, board structure, corporate strategy and planning, risk management and internal control, performance measurement and compensation, succession planning, financial reporting, conduct of meetings and communication with shareholders.

Board Committees

Certain functions have been delegated to various Board committees, namely, the Audit Committee, Remuneration Committee and Nominating Committee. The members of these committees are set out below:

Nominating Committee ("NC")
Mr. Lee Bon Leong, Chairman
Dr. Choong Chow Siong
Mr. Ang Mong Seng
Mr. Ow Chin Seng

Remuneration Committee ("RC")
Mr. Ang Mong Seng, Chairman
Mr. Lee Bon Leong
Dr. Choong Chow Siong

Audit Committee ("AC")
Dr. Choong Chow Siong, Chairman
Mr. Lee Bon Leong
Mr. Ang Mong Seng

In place of physical meetings, the Board and Board Committees also circulate written resolutions for approval by the relevant members of the Board and Board Committees.

Principle 6: Access to Information

Prior to each Board meeting, the members of the Board are provided with relevant materials on budgets, forecasts, internal financial statements, material events and transactions complete with background and explanations in a form and quality appropriate to facilitate the Board to make an informed decision. As a general rule, board papers are sent to directors at least three days in advance in order for the directors to be adequately prepared for the meeting. In addition, the independent directors have separate and independent access to the Group's senior management and the advice and services of the company secretary.

The Group currently does not have a formal procedure to seek independent advice. However, the directors may, on a case-to-case basis, propose to the Board that such independent and professional advice be obtained, the cost of which will be borne by the Group.

The company secretary attends all Board meetings and also ensures that the requirements of the Singapore Companies Act and all other rules and regulations of the SGX-ST are complied with.

Principle 7: Procedures for developing remuneration policies
Principle 8: Level and mix of remuneration
Principle 9: Disclosure on remuneration

Remuneration Committee ("RC")

The RC comprises of three independent directors, Mr. Ang Mong Seng, Mr. Lee Bon Leong and Dr. Choong Chow Siong. The Chairman of the RC is Mr. Ang Mong Seng. The RC reviews and recommends remuneration packages of the executive directors and executive officers and development in the Group with the goal of building capable and committed management teams.

The functions of the RC include the following:-

a) Annual review of the remuneration of each of the directors and executive officers;
b) Recommendations to the Board on a framework of remuneration of the directors and executive officers;
c) Determination of specific remuneration packages for the directors, executive officers and associates of controlling shareholders; and
d) Implement and administer Share Option Scheme.

The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be reviewed by the RC.

Each member of the RC will abstain from reviewing and approving his own remuneration and the remuneration packages of persons related to him. The Group has and will continue to disclose in the Annual Report the total remuneration paid to the directors. The RC meets at least once per financial year and the RC has held one meeting in February 2014.

Independent directors do not have service agreements with the Company. The independent directors received directors' fees which are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees and are paid based on their Service Agreements with the Company. In setting the remuneration packages of the executive directors, the Company takes into account the performance of the Group and that of the executive directors which are aligned with long term interest of the Group.

Key management personnel's remuneration is set in accordance with a remuneration framework comprising basic salary (including a variable bonus and benefits-in-kind).

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

The RC can, upon direction by the Board, engage any external professional advice on matters relating to remuneration as and when the need arises.

Corporate **Governance Statement**

Disclosure on directors' remuneration paid/payable in FY2013 and the breakdown of their remuneration:

Name of Director	Remuneration paid / payable In FY2013					Breakdown of the Directors' Remuneration				
	Up To $250,000	$250,001 To $500,000	$500,001 To $750,000	$750,001 To $1,000,000	$1,000,001 To $1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mr. Ow Chin Seng[1]	-	X	-	-	-	87	2	7	4	100
Mdm. Low Kheng[1]	X	-	-	-	-	88	-	7	5	100
Mr. Ng Kim Keang	X	-	-	-	-	80	-	6	14	100
Mr. Koh Beng Leong[2]	X	-	-	-	-	78	-	6	16	100
Dr. Yang Guo Ying	X	-	-	-	-	80	-	9	11	100
Mr. Ow Eei Meng, Benjamin[3] (Alternate director to Mdm. Low Kheng)	X	-	-	-	-	73	-	9	18	100
Mr. Daniel Lin Wei	X	-	-	-	-	-	98	-	2	100
Mr. Ang Mong Seng	X	-	-	-	-	-	99	-	1	100
Mr. Lee Bon Leong	X	-	-	-	-	-	99	-	1	100
Dr. Choong Chow Siong	X	-	-	-	-	-	99	-	1	100

Notes:

[1] Mr. Ow Chin Seng and Mdm. Low Kheng are husband and wife.
[2] Mr. Koh Beng Leong is the nephew of Mr. Ow Chin Seng and Mdm. Low Kheng.
[3] Mr. Ow Eei Meng, Benjamin is the son of Mr. Ow Chin Seng and Mdm. Low Kheng and cousin of Mr. Koh Beng Leong.

The above remuneration bands include share options granted under the AnnAik Employee Share Option Scheme 2013.

Disclosure on top 5 key management personnel remuneration paid/payable in FY2013 and the breakdown of their remuneration:

Name of Key Management Personnel	Remuneration paid / payable In FY2013					Breakdown of the Executives' Remuneration				
	Up To $250,000	$250,001 To $500,000	$500,001 To $750,000	$750,001 To $1,000,000	$1,000,001 To $1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mr. Peh Choon Chieh(1)	X	-	-	-	-	87	-	8	5	100
Mr. Ang Beng Lee	X	-	-	-	-	89	-	6	5	100
Mr. Loke Siew Meng	X	-	-	-	-	85	-	8	7	100
Mr. Lim Khan Choon	X	-	-	-	-	93	-	7	-	100
Mr. Ow Eei Phurn (2)	X	-	-	-	-	77	-	8	15	100

Notes:

(1) Mr. Peh Choon Chieh is the nephew of Mr. Ow Chin Seng and Mdm. Low Kheng
(2) Mr. Ow Eei Phurn is the son of Mr. Ow Chin Seng and Mdm. Low Kheng and cousin of Mr. Koh Beng Leong.

The above remuneration bands include share options granted to employees under the AnnAik Employee Share Option Scheme 2013.

The annual aggregate amount of the total remuneration paid to top 5 key management personnel for FY2013 is approximately S$506,000.

The annual aggregate amount of the termination, retirement and post-employment benefits granted to Directors and the Group CEO under their current contracts of employment or appointment (as the case may be) as at FY2013 is approximately S$530,000.

Save as disclosed, there is no employee (who is not director) whose remuneration exceeds S$50,000 during FY2013 and is immediate family member of a Director or the CEO.

The Company has adopted the AnnAik Employee Share Option Scheme 2013 (the "ESOS"), which was approved by the shareholders at an Extraordinary General Meeting held on 18 September 2013, as part of a compensation plan to motivate Directors and employees of the Group to greater dedication, loyalty and higher standards of performance. The ESOS Committee members consist of Mr. Ang Mong Seng, Mr. Lee Bon Leong and Dr. Choong Chow Siong. Further details are found on pages 29 and 30 of this Annual Report.

Principle 10: Accountability

The Board is accountable to the shareholders and other stakeholders while the management is accountable to the Board.

The Board aims at informing shareholders of the performance of the Group on a more frequent and timely manner. Also, the Board believes that this move will further enhance the Group's relationships with investors and the media.

Principle 11: Risk Management and Internal Controls

The Board acknowledges that it is responsible for ensuring that management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by management and that was in place throughout the financial year provides reasonable, but not absolute, assurance against material financial misstatements of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Board has received assurance from the CEO and Finance Director that the financial records of the Company have been properly maintained and the Company's financial statements give a true and fair view of the Company's operations and finances; and the Company's risk management and internal control systems are adequate and effective.

As part of the annual statutory audit on financial statements, the external auditors report to the AC and the appropriate level of management any material weaknesses in financial controls over the areas which are significant to the audit. The AC also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

No 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 Board and AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the internal controls established and maintained, work performed by the internal auditors, reviewed by management, and the statutory audit by the external auditors, the Board and Audit Committee are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate.

Principle 12: Audit Committee

The AC comprises independent directors, Dr. Choong Chow Siong, Mr. Lee Bon Leong and Mr. Ang Mong Seng. The Chairman of the AC is Dr. Choong Chow Siong. The members of the AC are knowledgeable and familiar with financial, corporate governance and regulatory disclosure requirements. The Board believes that they possess the necessary qualifications and experiences in discharging their duties as a member of the AC.

The AC performs the following functions:

(a) Review of the audit plans of and reports from the external and internal auditors;
(b) Review of the co-operation given by the Group's officers to the external and internal auditors;
(c) Review of the consolidated financial statements of the Group and the financial statements of the Company before their submission to the Board;
(d) Review of the independence and objectivity of the external auditors and nomination of the external auditors for reappointment;
(e) Review of all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arms' length and normal commercial terms and are not prejudicial to the interests of the shareholders of the Company;
(f) Meeting with the external auditors without the presence of management annually, to discuss any problems and concerns they may have;
(g) Review the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually; and
(h) Undertake such other functions and duties as may be required by the relevant laws or provisions of the Listing Manual of the SGX-ST (as may be amended from time to time) and as may be requested by the Board.

Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularities, failure of internal controls or infringement of any Singapore law, rule or regulation which has or likely to have a material impact on the operating results and/or financial position of the Group. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

It has been proposed that the AC will meet at least two times a year and as frequently as is required. In FY2013, the AC has met two times to review and approve the Group's half yearly announcement of FY2013 unaudited results, full year announcement of FY2013 unaudited results and approval of audit planning memorandum for statutory audit in FY2013.

The AC has reviewed all non-audit services provided by the auditors and they would not, in the AC's opinion, affect the independence of the external auditors. The aggregate amount of fees paid or payable to auditors for the financial year ended 31 December 2013, audit service fees amount to S$224,000 and non-audit service fees amount to S$19,000.

The AC has full access to and co-operation of management and has full discretion to invite any director or executive officer to attend the meetings and has been given reasonable resources to enable it to discharge its functions.

Pursuant to Listing Rule 716, the Board and AC are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Notes 14 & 15 to the financial statements. The Company has also complied with Rule 712 of the Listing Manual of SGX-ST in relation to the auditing firms.

The AC also meets with the external auditors and internal auditors, without the presence of management, at least once a year. For FY2013, the AC met once with the external auditors and internal auditors without presence of the management.

The accounts for the year were audited by Ernst & Young LLP and the AC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM.

No former partner or director of the Company's existing auditing firm is a member of the AC.

The Company has put in place a whistle-blowing policy in order to develop a culture of openness, accountability and integrity. The policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to Dr. Choong Chow Siong, the Chairman of the AC. It aims to provide an avenue to employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith within the limits of the law. There were no whistle-blowing matters noted/raised during the year.

Principle 13: Internal Audit

Since FY2004, the Company, upon the recommendation of the AC, appointed Messrs UHY Lee Seng Chan & Co. as internal auditors.

The scope of internal audit is to:-

(a) Review the effectiveness of the Group's material internal controls;
(b) Provide assurance that key business and operational risks are identified and managed;
(c) Internal controls are in place and functioning as intended; and
(d) Operations are conducted in an effective and efficient manner.

The AC reviews the activities of the internal auditor on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

The internal auditors report directly to the Chairman of the AC on any material weaknesses and risks identified in the course of the audit which will also be communicated to management. Management would accordingly update the AC on the status of the remedial action plans.

The AC and the Board review the adequacy of the internal audit function annually and are satisfied that there are adequate internal controls in the Group.

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Greater Shareholder Participation

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Articles of Association allow a member of the Company, who is unable to attend the general meeting in person, to appoint one or two proxies to attend and vote at the meeting in place of the member.

The Group believes that a high standard of disclosure is crucial to raising the level of corporate governance. All information relating to the Group's new initiatives are first disseminated via SGXNet followed by a news release (if appropriate), which is also available on the SGX-ST's website.

The Group does not practice selective disclosure. Price sensitive information is publicly released via SGXNet and the results and annual reports are announced or issued within the mandatory period. All shareholders of the Company will receive a copy of the Annual Report and the Notice of AGM at least 14 days before the meeting. The Notice of AGM is also advertised in a national newspaper.

At the AGM, shareholders are given opportunities to express their views and ask the Board and management questions regarding the operations of the Group. The Chairman is available at the AGM to answer those questions regarding the operations of the Group. The Chairman of the AC, RC and NC are normally available at the AGM to answer those questions relating to the work of these Committees.

The Company's external auditors are also invited to attend the AGM to assist the Directors in addressing any relevant queries relating to the conduct of the audit and audited report.

For greater transparency and fairness in the voting process, voting at shareholders' meetings were conducted by poll since 2013. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. The voting results of all votes cast for or against each resolution is then announced at the meeting and broadcasted via SGXNet after the meeting.

Each distinct issue requiring shareholders' approval is proposed as a separate resolution at the general meeting.

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and management.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate.

The Company will review its Articles of Association from time to time such amendments to the Articles of Association to be in line with the applicable requirements or rules and regulations governing the continuing obligations.

Dealings in Securities

The Company has adopted an Internal Code of Best Practices on Securities Transactions to directors and key employees (including employees with access to price-sensitive information to the Company's shares) of the Group setting out the code of conduct on transactions in the Company's shares by these persons in compliance with the Rule 1207 (19) of the Listing Manual of SGX-ST.

All the key employees, officers and directors of the Company are reminded not to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the results.

The Company issues email notification to all its officers including directors, officers and employees which they are reminded that they should refrain from dealing in the securities of the Company:

(i) during the one month before and up to the date of announcement of half year and full year results;
(ii) on short term considerations; and
(iii) at any time if they are in possession of unpublished material price-sensitive information.

The Company has complied with Listing Rule 1207 (19) of the Listing Manual of SGX-ST.

Interested Person Transactions ("IPT")

The Group has adopted an internal policy in respect of any transactions with interested person within the definition of Chapter 9 of the Listing Manual of SGX-ST and has set out procedures for review and approval of all interested person transactions.

No IPT mandate has been obtained from shareholders and there were no aggregate value of transactions that are more than S$100,000 entered by the Group during the financial year which required disclosure pursuant to Rule 907 of the Listing Manual of SGX-ST.

Risk Management

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in Note 43 to the financial statements.

Material Contracts

Pursuant to Rule 1207(8) of the Listing Manual of SGX-ST, the Company confirms that there were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Use of Proceeds

General Disclosure of the status on the use of proceeds raised from disposal of 32% shares of Shinsei Group and 11% shares of Both-Well Group pursuant to Chapter 8 whether such a use is in accordance with the stated use are as follows:

Use of proceeds	Amount allocated as disclosed in Circular 13 December 2013 (S$'000)	Total amount utilised (S$'000)	Balance amount (S$'000)
Purchase of raw materials and working capital	5,000	-	5,000
Undertake new investment	1,646	-	1,646
Total	6,646	-	6,646

Contents

Directors' **Report**

The directors are pleased to present their report to the members together with the audited consolidated financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2013.

Directors

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

Ow Chin Seng	(Executive Chairman cum Chief Executive Officer)
Low Kheng	
Ng Kim Keang	
Koh Beng Leong	
Dr Yang Guo Ying	(Appointed as Executive Director on 1 July 2013)
Ow Eei Meng, Benjamin	(Appointed as Alternate Director to Low Kheng on 1 July 2013)
Ang Mong Seng	
Lee Bon Leong	
Dr Choong Chow Siong	
Daniel Lin Wei	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the share options mentioned in the Directors' Report.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:-

Name of directors and company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
AnnAik Limited *Ordinary shares*				
Ow Chin Seng	65,700,358	67,536,758	8,274,924	8,274,924
Low Kheng	8,274,924	8,274,924	65,700,358	67,536,758
Ng Kim Keang	1,286,000	1,441,000	–	–
Koh Beng Leong	12,000	12,000	–	–
Dr Yang Guo Ying	36,000	36,000	–	–
Ow Eei Meng, Benjamin	–	–	2,919,400	2,919,400
Ang Mong Seng	720,000	720,000	–	–
Lee Bon Leong	3,142,000	3,142,000	120,000	120,000
Dr Choong Chow Siong	480,000	480,000	–	–

Directors' interests in shares and debentures (cont'd)

Name of directors and company in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Options to subscribe for ordinary shares under the AnnAik Share Option Scheme				
Ow Chin Seng	1,560,000	2,890,000	–	1,330,000
Low Kheng	–	1,330,000	1,560,000	2,890,000
Ng Kim Keang	3,620,000	5,070,000	–	–
Koh Beng Leong	–	1,050,000	–	–
Dr Yang Guo Ying	200,000	1,600,000	–	–
Ang Mong Seng	–	180,000	–	–
Lee Bon Leong	–	180,000	–	–
Dr Choong Chow Siong	–	180,000	–	–
Daniel Lin Wei	–	93,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Mr Ow Chin Seng and Madam Low Kheng are deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned interest between the end of the financial year and 21 January 2014.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of its subsidiaries or related corporations, either at the beginning of the financial year or date of appointment, if later, or at the end of the financial year and on 21 January 2014.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has substantial financial interest.

Options

The AnnAik Share Option Scheme 2003 was approved by the shareholders of the Company at an Extraordinary General Meeting held on 31 July 2003. This share option scheme expired on 31 July 2008. During the financial year, the Company has adopted the AnnAik Employee Share Option Scheme 2013 which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 18 September 2013. The Share Option Scheme was administered by the Remuneration Committee comprising Messrs Ang Mong Seng, Lee Bon Leong and Choong Chow Siong.

Under the Share Option Scheme, an option entitles the option holder to subscribe for one (1) new ordinary share in the Company at an exercise price per share determined with reference to the market price of the Company's share at the time of grant of the option. The Remuneration Committee may at its discretion, fix the exercise price of the option at a discount up to 20% of the market price of the Company's share.

Options granted with an exercise price set at the market price of the Company's share shall only be exercised after the first anniversary but before the tenth anniversary for executive directors and employees (fifth anniversary for non-executive directors) from the date of grant. Options granted with the exercise price set at a discount to the market price of the Company's share can only be exercised after the second anniversary but before the tenth anniversary for executive directors and employees (fifth anniversary for non-executive directors) from the date of grant. The options may be exercised in whole or in part on the payment of the relevant exercise price. Options granted will lapse when the option holder ceases to be a full-time employee or non-executive director of the Company or any subsidiary of the Group subject to certain exceptions as determined by the Remuneration Committee.

As at 31 December 2013, the details of the share options held by the directors of the Company under the Share Option Scheme are as follows:

Name of directors	Options granted during the year	Aggregate options granted since commencement of the Scheme to 31.12.2013	Aggregate options exercised since commencement of the Scheme to 31.12.2013	Aggregate options cancelled/ lapsed since commencement of the Scheme to 31.12.2013	Aggregate options outstanding as at 31.12.2013
Ow Chin Seng	1,330,000	4,090,000	1,200,000	–	2,890,000
Low Kheng	1,330,000	1,930,000	600,000	–	1,330,000
Ng Kim Keang	1,450,000	5,670,000	600,000	–	5,070,000
Koh Beng Leong	1,050,000	1,050,000	–	–	1,050,000
Dr Yang Guo Ying	1,400,000	1,600,000	–	–	1,600,000
Ang Mong Seng	180,000	1,680,000	360,000	1,140,000	180,000
Lee Bon Leong	180,000	1,680,000	360,000	1,140,000	180,000
Dr Choong Chow Siong	180,000	1,680,000	360,000	1,140,000	180,000
Daniel Lin Wei	93,000	93,000	–	–	93,000

Options (cont'd)

13,339,000 (2012: Nil) options were granted during the financial year ended 31 December 2013. During the financial year, no (2012: Nil) share of the Company has been issued by virtue of the exercise of an option to take up unissued shares. The number of outstanding options as at 31 December 2013 is as follows:

Date of grant	Balance at 1.1.2013	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2013	Exercise price per option	Exercise period
30.6.2004	134,000	–	–	–	134,000	0.20	1.7.2006 to 30.6.2014
30.6.2006	1,860,000	–	–	(96,000)	1,764,000	0.092	1.7.2008 to 30.6.2016
30.4.2007	2,765,000	–	–	(115,000)	2,650,000	0.24	1.5.2009 to 30.4.2017
14.6.2007	1,560,000	–	–	–	1,560,000	0.28	15.6.2009 to 14.6.2017
23.5.2008	1,750,000	–	–	(140,000)	1,610,000	0.20	24.5.2010 to 23.5.2018
16.10.2013	–	12,706,000	–	–	12,706,000	0.083	16.10.2013 to 15.10.2023
16.10.2013	–	633,000		–	633,000	0.083	16.10.2013 to 15.10.2018
	8,069,000	13,339,000	–	(351,000)	21,057,000		

Since the commencement date of Share Option Scheme till the end of the financial year:

- except as disclosed above, no options were granted to directors of the Company, controlling shareholders or their associates;
- no person has received 5% or more of the total number of options granted under the Share Option Scheme, except for Mr Ow Chin Seng and Mr Ng Kim Keang; and
- except as disclosed above, no options were granted at a discount to the market price of the shares at the time of the grant.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option, except as described in the preceding paragraphs.

Audit committee

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

Dr Choong Chow Siong - Chairman
Ang Mong Seng
Lee Bon Leong

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

(i) review with the external auditors the audit plan, their audit report, the management letter and the management's response;

(ii) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

Audit committee (cont'd)

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

(iv) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditors' report on those financial statements;

(v) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

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

(vii) the appointment of the external auditors of the Group and of the Company; and

(viii) reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

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

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Koh Beng Leong
Director

Ng Kim Keang
Director

Singapore
28 March 2014

Statement **by Directors**

We, Koh Beng Leong and Ng Kim Keang, being two of the directors of AnnAik Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the board of directors:

Koh Beng Leong
Director

Ng Kim Keang
Director

Singapore
28 March 2014

Independent **Auditor's Report**

To the Members of AnnAik Limited

Report on the financial statements

We have audited the accompanying financial statements of AnnAik Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 34 to 103, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
28 March 2014

Consolidated **Income Statement**

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000
Revenue	4	52,410	82,590
Cost of sales		(40,649)	(71,037)
Gross profit		11,761	11,553
Other income	5	1,475	3,324
Distribution expenses		(1,708)	(2,194)
Administrative expenses		(8,335)	(9,644)
Other operating expenses		(1,636)	(919)
Share of result of associates		(66)	689
Finance costs	6	(560)	(579)
Profit before tax	7	931	2,230
Taxation	8	(441)	(419)
Profit for the year		490	1,811
Attributable to:			
Owners of the Company		(273)	2,492
Non-controlling interests		763	(681)
		490	1,811
(Loss)/earnings per share (cents):			
Basic and diluted	9	(0.11)	1.00

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated **Statement of Comprehensive Income**

For the financial year ended 31 December 2013

	Group	
	2013	2012
	$'000	$'000
Profit for the year	490	1,811
Other comprehensive income, after tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	153	1,024
Other comprehensive income for the year, net of tax	153	1,024
Total comprehensive income for the year	643	2,835
Total comprehensive income attributable to:		
Owners of the Company	137	2,936
Non-controlling interests	506	(101)
	643	2,835

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	10	20,754	18,765	–	–
Prepaid land rental	11	307	1,116	–	–
Goodwill	12	497	497	–	–
Intangible assets	13	10,038	9,395	–	–
Investment in subsidiaries	14	–	–	17,956	32,574
Investment in associates	15	2,427	5,939	–	984
Available-for-sale financial assets	16	10,553	5,667	10,553	5,667
Club membership	17	190	190	190	190
Refundable deposits	18	668	668	–	–
Amount due from subsidiaries and associates	22	–	–	6,181	12,996
Deferred tax assets		80	–	–	–
		45,514	42,237	34,880	52,411
Current assets					
Inventories	19	20,849	34,989	–	–
Trade and other receivables	20	21,364	15,764	10,336	2,350
Prepayments		557	1,271	6	4
Prepaid land rental	11	7	25	–	–
Amount due from contract customer	21	1,582	2,309	–	–
Amount due from subsidiaries and associates	22	404	4,107	8,926	6,773
Cash and bank balances	23	10,913	15,917	4,817	5,052
		55,676	74,382	24,085	14,179

Balance **Sheets**

As at 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Current liabilities					
Trade payables	24	1,158	3,818	–	–
Other payables and accruals	25	4,447	15,195	674	2,540
Finance leases	26	272	82	–	–
Bank overdrafts	27	276	182	–	–
Bills payables	28	8,884	4,036	–	–
Bank loans	29	4,667	10,014	–	–
Provision for income tax		149	7	–	–
		19,853	33,334	674	2,540
Net current assets		35,823	41,048	23,411	11,639
Non-current liabilities					
Finance leases	26	397	175	–	–
Bank loans	29	11,555	6,428	–	–
Government grants	30	2,072	1,936	–	–
Deferred tax liabilities	31	252	355	–	–
Net assets		67,061	74,391	58,291	64,050
Equity attributable to equity holders of the Company					
Share capital	32	36,131	36,131	36,131	36,131
Reserves	33	26,748	27,309	22,160	27,919
Equity attributable to owners of the Company		62,879	63,440	58,291	64,050
Non-controlling interests		4,182	10,951	–	–
		67,061	74,391	58,291	64,050

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2013

	Share capital $'000	Currency translation reserve $'000	Reserve fund $'000	Share options reserve $'000	Property revaluation reserve $'000	Other reserve $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group										
2013										
Balance at 1 January 2013	36,131	(701)	32	915	–	–	27,063	63,440	10,951	74,391
Total comprehensive income for the year	–	410	–	–	–	–	(273)	137	506	643
Expiry of share options	–	–	–	(64)	–	–	64	–	–	–
Grant of equity-settled share options to employees (Note 37)	–	–	–	49	–	–	–	49	–	49
Dividends paid (Note 38)	–	–	–	–	–	–	(747)	(747)	–	(747)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(28)	(28)
Disposal of a subsidiary (Note 14)	–	–	–	–	–	–	–	–	(7,899)	(7,899)
Appropriation to reserve fund (Note 34)	–	–	12	–	–	–	(12)	–	–	–
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	809	809
Acquisition of non-controlling interest in a subsidiary without a change in control	–	–	–	–	–	–	–	–	(157)	(157)
Balance at 31 December 2013	36,131	(291)	44	900	–	–	26,095	62,879	4,182	67,061
2012										
Balance at 1 January 2012	36,131	(1,145)	47	1,250	12,962	(835)	12,841	61,251	11,176	72,427
Total comprehensive income for the year	–	444	–	–	–	–	2,492	2,936	(101)	2,835
Expiry of share options	–	–	–	(335)	–	–	335	–	–	–
Dividends paid (Note 38)	–	–	–	–	–	–	(747)	(747)	–	(747)
Disposal of a subsidiary	–	–	(21)	–	–	835	(814)	–	(124)	(124)
Appropriation to reserve fund (Note 34)	–	–	6	–	–	–	(6)	–	–	–
Transfer of property revaluation reserve to retained earnings (Note 36)	–	–	–	–	(12,962)	–	12,962	–	–	–
Balance at 31 December 2012	36,131	(701)	32	915	–	–	27,063	63,440	10,951	74,391

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements **of Changes in Equity**

For the financial year ended 31 December 2013

	Share capital $'000	Property revaluation reserve $'000	Share option reserve $'000	Retained earnings $'000	Total equity $'000
Company					
2013					
At 1 January 2013	36,131	–	915	27,004	64,050
Total comprehensive loss for the year	–	–	–	(5,061)	(5,061)
Expiry of share options	–	–	(64)	64	–
Grant of equity-settled share options to employees (Note 37)	–	–	49	–	49
Dividends paid (Note 38)	–	–	–	(747)	(747)
At 31 December 2013	36,131	–	900	21,260	58,291
2012					
At 1 January 2012	36,131	12,962	1,250	12,178	62,521
Total comprehensive income for the year	–	–	–	2,276	2,276
Expiry of share options	–	–	(335)	335	–
Transfer of property revaluation reserve to retained earnings (Note 36)	–	(12,962)	–	12,962	–
Dividends paid (Note 38)	–	–	–	(747)	(747)
At 31 December 2012	36,131	–	915	27,004	64,050

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated **Cash Flow Statement**

For the financial year ended 31 December 2013

	Group	
	2013	**2012**
	$'000	**$'000**
Cash flows from operating activities :		
Profit before income tax	931	2,230
Adjustments for :		
Allowance for doubtful debts	54	44
Allowance for claim on contract work	727	–
Amortisation of intangible assets	410	343
Amortisation of prepaid land rental	16	25
Amortisation of government grant	(64)	(60)
Bad debts written off	45	–
Depreciation of property, plant and equipment	1,339	1,718
Finance costs	560	579
Gain on dilution of equity interest in subsidiaries and associates	(788)	–
Gain on disposal of property, plant and equipment	(40)	(1,940)
Gain on liquidation of an associate	(3)	–
Impairment of available-for-sale financial assets	553	–
Loss on deregistration of a subsidiary	31	–
Loss on disposal of intangible assets	20	–
Loss on disposal of subsidiaries	–	294
Interest income	(33)	(30)
Property, plant and equipment written off	5	8
Reversal of allowance for slow moving inventories	(1,138)	(118)
Share-based payment expenses	49	–
Share of result of associates	66	(689)
Unrealised foreign exchange (gain)/loss	(658)	817
Operating profit before working capital changes	2,082	3,221
Decrease/(increase) in trade receivables	928	(999)
Increase in other receivables	(9,885)	(475)
Decrease in inventories	2,176	4,874
Decrease in trade payables	(2,033)	(458)
Increase in other payables	5,946	1,663
Cash (used in)/generated from operations	(786)	7,826
Interest paid	(512)	(540)
Interest income received	33	30
Income taxes paid	(516)	(765)
Net cash flows (used in)/generated from operating activities	(1,781)	6,551

Consolidated **Cash Flow Statement (cont'd)**

For the financial year ended 31 December 2013

	Group	
	2013	2012
	$'000	$'000
Cash flows from investing activities :		
Proceeds on disposal of property, plant and equipment	49	3,447
Proceeds on disposal of a subsidiary	–	91
Proceeds from government in relation to compulsory land acquisition	–	10,711
Proceeds from disposal of intangible assets	2	–
Decrease in amount due from associates	19	19
Purchase of property, plant and equipment (Note 10)	(13,669)	(8,162)
Acquisition of additional interest in a subsidiary	(113)	–
Additions to intangible assets	(1,075)	(2,456)
Disposal of equity interest in subsidiaries and associates	6,646	–
Contributions from non-controlling interests	809	–
Net cash flows (used in)/generated from investing activities	(7,332)	3,650
Cash flows from financing activities :		
Repayments to non-controlling interests	–	(1,291)
Proceeds from/(repayments of) bills payable, net	4,848	(6,719)
Proceeds from government grants	200	126
Proceeds from bank loans	11,152	18,598
Repayment of bank loans	(11,372)	(16,355)
Repayment of obligations under finance leases	(234)	(184)
Dividend paid	(747)	(747)
Dividends paid to non-controlling interests	(28)	–
Net cash flows generated from/(used in) financing activities	3,819	(6,572)
Net (decrease)/increase in cash and cash equivalents	(5,294)	3,629
Cash and cash equivalents at beginning of year	15,735	12,397
Effect of exchange rate changes on the balance of cash held in foreign currencies	196	(291)
Cash and cash equivalents at end of year (Note 23)	10,637	15,735

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes **to the Financial Statements**

31 December 2013

1. Corporate information

The Company is incorporated in Singapore with its principal place of business and registered office at 52, Tuas Avenue 9, Singapore 639193 with effect from 29 March 2013. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited.

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

The principal activities of the subsidiaries and associates are set out in Notes 14 and 15 to the financial statements respectively.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

2. Significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Except for the Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Revised FRS 28 and FRS 112 are described below.

Revised FRS 28 *Investments in Associates and Joint Ventures*

Revised FRS 28 Investments in Associates and Joint Ventures are effective for financial periods beginning on or after 1 January 2014.

The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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 like 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.

2. Significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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 at the 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;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investment as at 1 January 2010 have not been restated.

(b) Business combinations

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2. Significant accounting policies (cont'd)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Significant accounting policies (cont'd)

2.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

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

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 its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2. Significant accounting policies (cont'd)

2.9 Property, plant and equipment

Office and warehouse building held for use in the supply of goods and for administration purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the property revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the property revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

All other items of property, plant and equipment other than office and warehouse building are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

Office and warehouse building	-	lease term of 30 years
Office and industrial buildings	-	lease terms of 20 years
Plant and equipment	-	5 to 10 years
Motor vehicles	-	5 to 8 years
Furniture, renovation, fixtures and equipment	-	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Significant accounting policies (cont'd)

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Service concession arrangements

Intangible asset representing consideration received for construction services provided under service concession arrangements are recognised to the extent that the Group has a right to charge fees for the usage of the wastewater treatment plants and are amortised on a straight-line basis over the concession period from commencement of the operation of the plants.

Technical know-how

Technical know-how is amortised on a straight-line basis over 10 years commencing from the date of completion of the wastewater treatment plant.

2.11 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

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

2. Significant accounting policies (cont'd)

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets 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 that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. 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.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Significant accounting policies (cont'd)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first-out method (for distribution products and engineering) and weighted average method (for manufacturing products). Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.16 Club membership

Club membership is measured on initial recognition at cost. Following initial recognition, club membership is carried at cost less any accumulated impairment losses. The useful life of club membership is indefinite as it is lifetime membership and has no dates of expiry. Club membership is tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The useful life of club membership is reviewed annually to determine whether the useful life assessment continues to be supportable. Gains and losses on disposal of club membership are taken to profit or loss.

2.17 Prepaid land rental

Prepaid land rental represents payments in advance for the rights to use lands for an agreed period. The amounts prepaid are amortised on a straight-line basis over the lease term ranging from 25 to 50 years.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Significant accounting policies (cont'd)

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. These grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.20 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2.21 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transactions costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2. Significant accounting policies (cont'd)

2.22 Borrowing costs

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

2.23 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore company in the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. In addition, the subsidiary companies in the People's Republic of China ("PRC") pay fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

(c) Share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied. The share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

2. Significant accounting policies (cont'd)

2.24 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised.

(a) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Engineering construction project

Revenue derived from the engineering construction project is recognised by reference to the stage of completion of the project works at the end of the reporting period as determined by the surveys of the works performed.

2. Significant accounting policies (cont'd)

2.25 Revenue (cont'd)

(c) Service income from environmental business

Service income of the Group's environmental business is recognised when the services have been rendered.

(d) Interest income

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

(e) Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

2.26 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Significant accounting policies (cont'd)

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 Segment reporting

For management purposes, the Group is organised into business segment. A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The operating business segments are managed separately by the general managers in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors to identify the reportable segments and the measurement basis of segment information.

2. Significant accounting policies (cont'd)

2.28 Share capital and share issuance expenses

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

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.30 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 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 or of a parent of the Company.

(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.

2. Significant accounting policies (cont'd)

2.30 Related parties (cont'd)

(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).

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

Business registration of People's Republic of China ("PRC") entities

The Group's operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, regulations, rules and other regulatory documents. In prior years, by virtue of ownership agreements entered with certain PRC individuals, which resulted in changes to the Group's entity interest in its two subsidiaries and an associate of the Group based in PRC, the business registration files of these subsidiaries and associate have not been amended accordingly to reflect the current shareholding structure. In 2011, management effected and completed the amendment of the business registration file for one of the subsidiary. On 11 February 2014, management has obtained an update from its lawyer that the current business registrations of the other subsidiary and the associate does not expose the Group to any non-compliance with the PRC legal system. The non-controlling interests of subsidiaries and investment in associate attributable to the PRC individuals are $284,000 (2012: $252,000) and $1,613,000 (2012: $1,520,000) respectively.

3.2 Key sources of estimation uncertainty

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

(a) Impairment of goodwill

Goodwill acquired in a business combination is allocated, at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to Angwei Environmental Ecological & Engineering (Shanghai) Co., Ltd as described in Note 12 to the financial statements.

To determine whether there is an impairment of goodwill at the end of the reporting period, it is necessary to compare the carrying value of goodwill with the recoverable amount from the cash generating unit to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash-generating unit. In arriving at the recoverable amount, management exercises its judgement in estimating the future cash flows and discount rates, as described in Note 12. Management is of the view that there is no impairment loss for goodwill for the year ended 31 December 2013.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 20 to the financial statements. If the present value of estimated future cash flows of receivables that are past due but not impaired and those that are impaired, varies by 10% from management's estimates, the Group's allowance for impairment will increase by $883,000 (2012: $1,269,000).

(c) Allowance for inventories

The Group carried out inventory review on a product-by-product basis to determine the allowance for slow-moving inventories and whether inventories are stated at the lower of cost and net realisable value. For the purpose of determining whether inventories are stated at the lower of cost and net realisable value, management's estimates of the net realisable value of the inventories at the end of the reporting period are based primarily on the latest selling prices and the market conditions. No allowance was recognised during the year.

(d) Income taxes

The Group is subject to income taxes in jurisdictions of Singapore and PRC. Significant judgement is required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The income tax payable/receivable of the Group and the Company at 31 December 2013 amounted to payable of $149,000 (2012: $7,000) and receivable of $210,000 (2012: receivable of $228,000) respectively. The deferred tax assets and liabilities of the Group at 31 December 2013 amounted to assets of $80,000 (2012: $Nil) and amounted to liabilities of $252,000 (2012: $355,000) respectively.

4. Revenue

	Group	
	2013	**2012**
	$'000	**$'000**
Sale of goods	44,525	77,497
Engineering construction	186	375
Environmental service income [1]	7,699	4,718
	52,410	82,590

[1] Amount includes revenue amounting to $1,075,000 (2012: $2,456,000) relating to services for the construction of an asset being operated under service concession rights arrangement as described in Note 13.

5. Other income

	Group	
	2013	2012
	$'000	$'000
Interest income from third parties	33	30
Gain on disposal of property, plant and equipment	40	1,940
Gain on liquidation of an associate	3	–
Gain on dilution of equity interest in subsidiaries and associates	788	–
Government subsidy	398	140
Government grant	64	60
Rental income	–	48
Ex-gratia payment received	–	959
Others	149	147
	1,475	3,324

Ex-gratia payment received in financial year 2012 relates to the payment made by the Singapore Land Authority ("SLA") to mitigate the financial impact of the compulsory land acquisition of the Company's premises located at 135 Pioneer Road Singapore 639589.

6. Finance costs

	Group	
	2013	2012
	$'000	$'000
Interest expense on:		
Bank overdrafts and loans	540	560
Finance leases	20	19
	560	579

7. Profit before tax

Profit before tax is stated after charging/(crediting) :-

	Group	
	2013	**2012**
	$'000	**$'000**
Depreciation of property, plant and equipment	1,339	1,718
Amortisation of prepaid land rental	16	25
Amortisation of intangible assets	410	343
Directors' remuneration	1,208	1,176
Directors' fees paid to the directors of the Company	186	186
Defined contribution plans	503	721
Bad debts written off	45	–
Allowance for doubtful debts	54	44
Allowance for claim on contract work	727	–
Net foreign exchange loss	274	610
Property, plant and equipment written off	5	8
Loss on deregistration of a subsidiary	31	–
Loss on disposal of subsidiaries	–	294
Amortisation of government grant	(64)	(60)
Impairment of available-for-sale financial assets	553	–
Audit fees		
- paid to auditors of the Company	120	110
- paid to other auditors	104	138
Non-audit fees		
- paid to auditors of the Company	13	13
- paid to other auditors	6	6

8. Taxation

	Group	
	2013	**2012**
	$'000	**$'000**
Current taxation:		
Provision for the year	430	291
Under provision in respect of prior years	194	85
	624	376
Deferred taxation:		
Origination and reversal of temporary differences	(183)	43
	441	419

A reconciliation between the tax expenses and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 is as follows:-

	Group	
	2013	**2012**
	$'000	**$'000**
Profit before tax	931	2,230
Income tax calculated at 17%	158	379
Effect of expenses that are not deductible in determining taxable profit	358	287
Income not subject to tax	(591)	(294)
Effect of partial tax exemption	(26)	(53)
Tax effect of share of results of associates	11	(117)
Effect of unused tax losses not recognised as deferred tax assets	243	169
Effect of different tax rates of subsidiaries operating in other jurisdictions	109	(37)
Under provision in respect of prior years	194	85
Others	(15)	–
Total income tax expense	441	419

(a) Entities incorporated in PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the income tax rate applicable to all enterprises incorporated in PRC is 25% with effect from 1 January 2008 onwards.

With the introduction of the EIT Law, the "five-year tax holiday" incentive, comprising exemptions from income tax in the first two profit-making years and 50% relief from income tax liability in the next three years (the "Tax Exemption"), will not be offered to all new production-oriented Foreign Investment Enterprises ("FIEs"). However, for FIEs which were granted the five-year tax holiday incentive and established before the introduction of the EIT Law, they will continue to receive the benefits of the tax holiday during the five-year transition period. For those FIEs which have yet to commence and claim their benefits under the tax holiday incentive, they have to start claiming their entitlements for the tax incentives from the effective date of the EIT Law (i.e. 1 January 2008).

8. Taxation (cont'd)

(a) Entities incorporated in PRC (cont'd)

Shinsei (Taizhou) Steel Flanges Co Ltd

Year 2010 was the first year of 50% relief from income tax liability and no provision of income tax expense was made for 2012 and 2013 as the entity had accumulated losses.

AnnAik Pipes & Fittings (Shanghai) Co., Ltd

The entity is a trading enterprise located in the Waigaoqiao Free Trade Zone, Shanghai, PRC. In accordance with the tax legislations applicable to such enterprises, the entity is entitled to a concessionary tax rate of 5% after offsetting all unexpired tax losses carried forward from prior years.

Other PRC entities

The applicable income tax rate for the remaining PRC entities is 25%.

(b) Entities incorporated in Singapore

The applicable income tax rate for Singapore incorporated companies is 17%.

(c) Group relief

Under the present income tax legislations in Singapore in respect of group relief claim, tax losses suffered by a Singapore-incorporated subsidiary in the year can be transferred to another Singapore-incorporated company within the same group for offset against the profit of the second company in the same year subject to the agreement of the tax authorities in Singapore. During the financial year ended 31 December 2013, tax losses suffered by Singapore incorporated subsidiaries which amounted to $532,000 (2012: $966,000) were transferred to the Company under the group relief scheme. These tax losses were transferred for a consideration of $90,000 (2012: $164,000).

9. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributed to the owners of the Company is based on the following data:

	Group	
	2013	**2012**
	$'000	**$'000**
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted earnings per share	(273)	2,492
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of		
- basic earnings per share	248,973	248,973
- diluted earnings per share	249,785	248,973
(Loss)/earnings per share (cents)		
Basic and diluted	(0.11)	1.00

10. Property, plant and equipment

	At valuation	At cost					
	Office and warehouse building	Office and industrial buildings	Plant and equipment	Motor vehicles	Furniture, renovation, fixtures and equipment	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Cost							
At 1 January 2012	–	5,270	14,517	1,588	1,147	2	22,524
Additions	7,909	–	20	129	104	–	8,162
Disposals	(1,500)	–	(78)	(241)	(2)	–	(1,821)
Write off	–	–	(9)	–	–	–	(9)
Disposal of subsidiaries	–	–	(1,120)	(14)	(687)	–	(1,821)
At 31 December 2012 and 1 January 2013	6,409	5,270	13,330	1,462	562	2	27,035
Additions	8,407	3,228	1,687	645	321	27	14,315
Disposals	–	–	(13)	(173)	–	–	(186)
Write off	–	–	(6)	–	(1)	–	(7)
Reclassification	–	–	(384)	–	384	–	–
Deemed disposal of subsidiaries (Note 14)	–	(5,270)	(12,461)	(103)	(406)	(2)	(18,242)
At 31 December 2013	14,816	3,228	2,153	1,831	860	27	22,915

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

	At valuation	At cost					
	Office and warehouse building $'000	Office and industrial buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture, renovation, fixtures and equipment $'000	Construction-in-progress $'000	Total $'000
Group							
Accumulated depreciation and impairment loss							
At 1 January 2012	–	820	5,977	984	665	–	8,446
Depreciation	–	240	1,182	185	111	–	1,718
Disposals	–	–	(79)	(233)	(2)	–	(314)
Write off	–	–	(1)	–	–	–	(1)
Disposal of subsidiaries	–	–	(1,204)	(9)	(366)	–	(1,579)
At 31 December 2012 and 1 January 2013	–	1,060	5,875	927	408	–	8,270
Depreciation	211	120	706	237	65	–	1,339
Disposals	–	–	(7)	(170)	–	–	(177)
Write off	–	–	(1)	–	(1)	–	(2)
Reclassification	–	–	(384)	–	384	–	–
Deemed disposal of subsidiaries (Note 14)	–	(1,180)	(5,694)	(28)	(367)	–	(7,269)
At 31 December 2013	211	–	495	966	489	–	2,161
Net carrying value							
At 31 December 2012	6,409	4,210	7,455	535	154	2	18,765
At 31 December 2013	14,605	3,228	1,658	865	371	27	20,754

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

	At valuation	At cost			
	Office and warehouse building $'000	Plant and equipment $'000	Motor vehicles $'000	Furniture, renovation, fixtures and equipment $'000	Total $'000
Company					
Cost					
At 1 January 2012	–	850	920	–	1,770
Additions	1,672	359	43	–	2,074
Disposals	(1,500)	–	–	–	(1,500)
Write off	–	(9)	–	–	(9)
Transfer to a subsidiary company	(172)	(1,200)	(963)	–	(2,335)
At 31 December 2012 and 31 December 2013	–	–	–	–	–
Accumulated depreciation					
At 1 January 2012	–	664	573	–	1,237
Depreciation	–	49	91	–	140
Disposals	–	–	–	–	–
Write off	–	(1)	–	–	(1)
Transfer to a subsidiary company	–	(712)	(664)	–	(1,376)
At 31 December 2012 and 31 December 2013	–	–	–	–	–
Net carrying value					
At 31 December 2012 and 31 December 2013	–	–	–	–	–

During the financial year, the Group acquired plant and equipment with an aggregate cost of S$646,000 (2012: S$Nil) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to S$13,669,000 (2012: S$8,162,000).

At 31 December 2013, the Group had plant and equipment and motor vehicles amounting to $290,000 (2012: $307,000) and $676,000 (2012: $Nil) respectively which were held under finance leases.

Particulars of leasehold property held by the Group as at 31 December 2013 is as follows:

Location and description	Tenure (in years)	Tenure with effect from
One 2-storey office building with a single storey warehouse attached and one 2-storey warehouse with mezzanine floor under construction built on land area of 11,633 square meters at 52 Tuas Avenue 9, Singapore 639193	30	September 2012

11. Prepaid land rental

The prepaid land rental relates to land-use-rights and the amortisation charge on a straight-line basis over the lease period of the lands which range from 25 to 50 years and is included in administrative expenses in the consolidated income statement.

	Group $'000
Cost:	
At 1 January 2012, 31 December 2012 and 1 January 2013	1,251
Effect of dilution in shareholding in subsidiaries	(900)
At 31 December 2013	351
Accumulated amortisation:	
At 1 January 2012	85
Amortisation	25
At 31 December 2012 and 1 January 2013	110
Amortisation	16
Effect of dilution in shareholding in subsidiaries	(89)
At 31 December 2013	37
Carrying amount:	
At 31 December 2012	1,141
Less: Current portion	(25)
Non-current portion	1,116
At 31 December 2013	314
Less: Current portion	(7)
Non-current portion	307

12. Goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Group	
	2013	2012
	$'000	$'000
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd [1]	497	497

[1] Comprising of CGUs arising from service concession arrangements as disclosed in Note 13 to the financial statements.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group prepares the cash flow forecasts for AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd that are derived from financial budgets approved by management. The cash flow projections cover a year period of 23 to 46 years (2012: 24 to 47 years). The rate used to discount the forecasted cash flows is 10% (2012: 10%). Based on the review of cash flow forecasts, the Group concluded that there is no impairment loss in respect of goodwill.

The calculation of value in use is most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are estimates by management and do not exceed the long term average growth rate for the industries relevant to the CGU.

Discount rates – In determining the appropriate discount rates, regard has been given to the yield on long term government bonds with respective countries of comparable companies and specific risk associated with investments in waste water treatment plants.

Gross margins – Gross margins are based on results achieved in the year preceding the start of the budget period.

13. Intangible assets

	Concession rights[a] $'000	Technical know-how[b] $'000	Total $'000
Cost:			
At 1 January 2012	7,903	400	8,303
Additions	2,456	–	2,456
At 31 December 2012	10,359	400	10,759
Additions	1,075	–	1,075
Disposals	(34)	–	(34)
At 31 December 2013	11,400	400	11,800
Accumulated amortisation:			
At 1 January 2012	821	200	1,021
Amortisation	303	40	343
At 31 December 2012	1,124	240	1,364
Amortisation	370	40	410
Disposals	(12)	–	(12)
At 31 December 2013	1,482	280	1,762
Carrying amount:			
At 31 December 2012	9,235	160	9,395
At 31 December 2013	9,918	120	10,038

(a) The Group has service concession rights from and obligation to certain governing bodies and agencies in the PRC to construct and operate wastewater treatment plants in Lijiaxiang Town, Zhicheng Town, Lincheng Town and Wushan Town, Zhejiang Province in the PRC for pre-determined periods. These concession rights are for periods of 30 to 50 years. The cost of the concession rights which is amortised on a straight-line basis over the concession period from the commencement of the operations of each respective plant, is charged to cost of sales in the income statement. Concession rights have an estimated remaining useful life of 23 to 46 years (2012: 24 to 47 years) at the end of the financial year.

(b) This refers to cost of acquiring the technical know-how for the treatment of industrial wastewater paid by a subsidiary. The cost of the technical know-how is amortised on a straight-line basis over 10 years commencing from the date of completion of the wastewater treatment plant and is charged to administrative expenses in the income statement. Technical know-how has an estimated remaining useful life of 3 years (2012: 4 years) as at the end of the financial year.

14. Investment in subsidiaries

	Company	
	2013	2012
	$'000	$'000
Unquoted equity shares, at cost	19,177	32,868
Less: Impairment loss	(1,221)	(294)
	17,956	32,574

During the financial year ended 31 December 2013, management performed an impairment test for the Company's investment in certain subsidiaries. Based on an assessment of the subsidiary's historical and current performance and the estimated value and probability of future cash flows, the Company has made an impairment loss of $927,000 (2012: $Nil) for the year ended 31 December 2013 to write down the subsidiary to its recoverable amount.

Details of the Company's subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Principal activities/ country of incorporation and operation	Effective equity interest/ voting power held by the Group	
		2013	2012
		%	%
AnnAik & Partners (S) Pte Ltd (3)	Investment holding/ Singapore	65	65
Anxon Eco Holdings Pte Ltd (3)	Investment holding/ Singapore	100	100
Anxon Engineering Pte Ltd (1)	Designing, contracting and management of engineering projects/ Singapore	100	100
Anxon Environmental Pte Ltd (3)	Investment holding/ Singapore	100	100
Wesco Steel Pte Ltd (3)	Marketing and sale of steel related products/ Singapore	70	70
Sky Park Pte Ltd (3)	Investment holding/ Singapore	100	100
Ann Aik Pte Ltd (1)	Marketing and sale of steel related products/ Singapore	100	100
Shinsei Company (S) Pte Ltd (3) (6)	Investment holding/ Singapore	–	51
Pioneer Environmental Technology Pte Ltd (3)	Development of environmental technologies and environmental engineering/ Singapore	51	51

14. Investment in subsidiaries (cont'd)

Name of subsidiary	Principal activities/ country of incorporation and operation	Effective equity interest/ voting power held by the Group	
		2013	2012
		%	%
Shinsei Superinox Industry Pte Ltd (1) (2)	Investment holding/ Singapore	75	–
Ichinose Emico Valves (S) Pte Ltd (2) (3)	Marketing and sale of steel related products/ Singapore	50	–
Subsidiary held by AnnAik & Partners (S) Pte Ltd			
AnnAik Pipes & Fittings (Shanghai) Co., Ltd (4)	Marketing and sale of steel related products and provision of import and export agency services/ People's Republic of China	65	65
Subsidiaries held by Anxon Environmental Pte Ltd			
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd (4)	Owning and management of wastewater treatment plants/ People's Republic of China	60	60
ChangXing AngWei Environmental & Ecological Engineering Co., Ltd. (4)	Owning and management of wastewater treatment plant/ People's Republic of China	60	60
ChangXing Anxon Environmental Engineering Co., Ltd (4) (7)	Owning and management of wastewater treatment plant/ People's Republic of China	–	100
Subsidiary held by Anxon Eco Holdings Pte Ltd			
ChangXing LinSheng Wastewater Treatment Co., Ltd (4)	Owning and management of wastewater treatment plant/ People's Republic of China	88	88

14. Investment in subsidiaries (cont'd)

Name of subsidiary	Principal activities/ country of incorporation and operation	Effective equity interest/ voting power held by the Group 2013 %	2012 %
Subsidiary held by ChangXing LinSheng Wastewater Treatment Co., Ltd			
ChangXing Wusheng Wastewater Treatment Co., Ltd (4)	Owning and management of wastewater treatment plant/ People's Republic of China	88	88
Subsidiary held by Shinsei Company (S) Pte Ltd			
Shinsei (Taizhou) Steel Flanges Co., Ltd (5) (6)	Production of steel flanges and related products/ People's Republic of China	–	51
Subsidiary held by Shinsei Superinox Industry Pte Ltd			
Shinseisuperinox Industry Sdn. Bhd. (2) (5)	Production of steel flanges and related products/ Malaysia	75	–
Subsidiary held by AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd			
ChangXing Lijiaxiang New Era Wastewater Treatment Co., Ltd (4)	Owning and management of wastewater treatment plant/ People's Republic of China	60	54

14. Investment in subsidiaries (cont'd)

(1) Audited by Ernst & Young LLP, Singapore.
(2) Newly incorporated during the financial year.
(3) Audited by another firm of auditors, Ecovis Assurance LLP.
(4) Audited by Ecovis Assurance LLP, Singapore, for purposes of consolidation.
(5) Audited by member firm of Ernst & Young LLP, Global for purposes of consolidation
(6) Dilution of shareholdings during the year.
(7) Deregistered during the year.

On 5 September 2013, the Company entered into a Sale and Purchase Agreement whereby the Company sold 9,669,280 ordinary shares in the share capital of Shinsei Company (S) Pte Ltd ("Shinsei Singapore") to various vendors.

The sale consideration of $5,327,000 took into account (a) the net tangible asset value of Shinsei Group (comprising Shinsei Company (S) Pte Ltd and Shinsei (Taizhou) Steel Flanges Co., Ltd) as at 30 June 2013 and (b) an agreed portion of the land valuation surplus relating to the land held by Shinsei Group.

Upon completion, the Company's equity interest in Shinsei Singapore was reduced to 19%, thus ceased to be a subsidiary of the Company and the investment has been reclassified and included in available-for-sale financial asset.

The following summarises the effect of the change in ownership interest in Shinsei Singapore:

	2013 $'000
Property, plant and equipment	10,973
Prepaid land rental	793
Trade and other receivables	4,092
Inventories	13,102
Cash and cash equivalents	3,749
Total assets	32,709
Trade and other payables	11,930
Amount due to holding company	5,439
Total liabilities	17,369
Non-controlling interests	(7,899)
Reclassification of currency translation reserves	436
Carrying value of net assets	7,877
Add: Gain on dilution of equity interest in subsidiaries	611
	8,488
Less: Remaining 19% shareholding interest	(3,161)
Net cash inflow on disposal	5,327

15. Investment in associates

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	1,392	2,269	–	878
Share of post-acquisition profits	1,035	3,682	–	–
Share of reserves	–	(118)	–	–
Capitalisation of amount due from associate	–	106	–	106
	2,427	5,939	–	984

Details of the Group's associates at 31 December 2013 and 2012 are as follows:

Name of associate	Principal activities/ country of incorporation and operation	Effective equity interest/ voting power held by the Group	
		2013	2012
		%	%
Both-Well Holdings (S) Pte Ltd [(1)]	Investment holding/ Singapore	–	30
Shinsei Japan Industry Co., Ltd [(4)]	Marketing and sale of steel flanges and high-pressure forged fittings/ Japan	–	30
Subsidiary held by Both-Well Holdings (S) Pte Ltd			
Both-Well (Taizhou) Steel Fittings Co., Ltd [(2)]	Production of high-pressure forged fittings/ People's Republic of China	–	30
Subsidiary held by Both-Well (Taizhou) Steel Fittings Co., Ltd			
Both-An (Taizhou) Hardware Co., Ltd [(2)]	Production, marketing and sales of various types of hardware and relevant components/ People's Republic of China	–	15
Subsidiary held by Anxon Environmental Pte Ltd			
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd [(3)]	Owning and management of wastewater treatment plant/ People's Republic of China	42	42

(1) Audited by Ecovis Assurance LLP, Singapore
(2) Audited by member firm Ernst & Young LLP, Global for purposes of Group consolidation
(3) Audited by Ecovis Assurance LLP, Singapore for purposes of Group consolidation
(4) Liquidated during the financial year.

15. Investment in associates (cont'd)

Summarised financial information in respect of the Group's associates is set out below:

	Group	
	2013	**2012**
	$'000	**$'000**
Total assets	7,327	55,868
Total liabilities	(1,566)	(20,329)
Net assets	5,761	35,539
Group's share of the associates' net assets	2,427	5,939
Revenue of the associates	14,228	30,171
(Loss)/profit for the year	(396)	2,172
Group's share of result of the associates for the year, net	(66)	689

On 5 September 2013, the Company entered into a Sale and Purchase Agreement whereby the Company sold 308,000 ordinary shares in the share capital of Both-Well Holdings (S) Pte Ltd ("Both-Well Singapore") to various vendors.

The sale consideration of $1,319,000 took into account (a) the net tangible asset value of Both-Well Group (comprising Both-Well Holdings (S) Pte Ltd, Both-Well (Taizhou) Steel Fittings Co., Ltd and Both-An (Taizhou) Hardware Co., Ltd) as at 30 June 2013 and (b) an agreed portion of the land valuation surplus relating to the land held by Both-Well Group.

Upon completion, the Company's equity interest in Both-Well Singapore was reduced to 19%, thus ceased to be an associate of the Company and the investment has been reclassified and included in available-for-sale financial asset.

The following summarises the effect of the change in ownership interest in Both-Well Singapore:

	2013
	$'000
Investment in associate	3,420
Add: Gain on dilution of equity interest in associates	177
	3,597
Less: Remaining 19% shareholding interest	(2,278)
Net cash inflow on disposal	1,319

16. Available-for-sale financial assets

	Group and Company	
	2013	2012
	$'000	$'000
Unquoted equity securities	4,886	–
Unquoted equity securities, at cost	5,667	5,667
	10,553	5,667

Available-for-sale financial assets consist of:

(a) The Company's 17.6% equity interest in an unquoted investment which is incorporated in Singapore and is engaged in property development activities in PRC.

(b) The Company's 19% equity interest in unquoted investments which are incorporated in Singapore and are engaged in production of forged flanges and high pressure forged fittings in PRC.

17. Club membership

	Group and Company	
	2013	2012
	$'000	$'000
Club membership, at cost	190	190

18. Refundable deposits

These are funds deposited with the respective town governments in the Changxing County, Zhejiang Province, PRC to secure the rights to use the allocated lands for an agreed period to build and operate wastewater treatment plants under build-operate-transfer ("BOT") contracts over a period of 30 years. These funds deposited will be refunded to the Group by the town governments upon expiry of the BOT contracts.

19. Inventories

	Group	
	2013	2012
	$'000	$'000
Raw materials	3,719	2,932
Work-in-progress	5,501	5,160
Finished goods	11,629	26,897
	20,849	34,989

19. Inventories (cont'd)

	Group 2013 $'000	Group 2012 $'000
Income statement:		
Inventories recognised as an expense in cost of sales	37,130	61,187
Include the following credit:		
Reversal of write down of inventories	(1,138)	(118)

The allowance written back was recorded when the related inventories were sold above their carrying amounts.

20. Trade and other receivables

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade receivables	8,957	12,763	–	–
Allowance for doubtful debts	(124)	(70)	–	–
	8,833	12,693	–	–
Other receivables	2,318	2,405	798	1,873
Amount owing from related parties	9,495	284	9,262	–
Tax recoverable	–	–	210	228
Refundable deposits	718	382	66	249
Total trade and other receivables	21,364	15,764	10,336	2,350
Add: Refundable deposits – non current (Note 18)	668	668	–	–
Amount due from subsidiaries and associates – current and non-current (Note 22)	404	4,107	15,107	19,769
Cash and bank balances (Note 23)	10,913	15,917	4,817	5,052
Total loans and receivables	33,349	36,456	30,260	27,171

Trade receivables are non-interest bearing and are generally on 30 to 150 days' terms. They are recognised at their original amounts which represent their fair values on initial recognition. The amounts due from associates and related parties are unsecured, interest-free, repayable on demand and are to be settled in cash.

20. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $4,492,000 (2012: $6,240,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Trade receivables past due:		
Lesser than 30 days	1,946	3,347
30 to 60 days	1,303	1,740
61 to 90 days	522	607
More than 90 days	721	546
	4,492	6,240

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movements of the allowance account used to record the impairment are as follows:

	Group Individually impaired	
	2013	**2012**
	$'000	**$'000**
Trade receivables-nominal amount	124	70
Allowance for impairment	(124)	(70)
	–	–

Movement in the allowance for doubtful debts:

	Group	
	2013	**2012**
	$'000	**$'000**
At 1 January	70	39
Charge for the year	54	44
Derecognised on disposal of a subsidiary	–	(13)
At 31 December	124	70

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

20. Trade and other receivables (cont'd)

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Denominated in:				
United States dollar	153	3,306	–	–

Other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Denominated in:				
United States dollar	9,474	206	9,262	–

21. Amount due from contract customer

	Group	
	2013	2012
	$'000	$'000
Costs incurred	14,107	14,107
Losses suffered	(6,009)	(5,282)
Billings	(6,516)	(6,516)
	1,582	2,309

Amount due from contract customer refers to costs incurred on a construction contract which management considers as recoverable amount but is disputed by the counterparty. Both the Group and the counterparty have attempted to resolve their disputes amicably but were not able to arrive at a resolution that was satisfactory to both parties. On 3 March 2011, pursuant to the dispute resolution provision in the agreement, the Group filed a Notice of Arbitration with the Singapore International Arbitration Centre through its lawyers.

On 17 January 2014, the Group was awarded a sum of $1,352,000 being the final award of the arbitration. The award is final as to all matters except for cost and interest associated with the final award.

The Group is in consultation with its legal advisors on the next course of action including filing an appeal on other items not included in the final award sum. An impairment allowance of $727,000 has been made against the amount due from contract customer.

22. Amount due from subsidiaries and associates

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current				
Subsidiaries (Note 14)	–	–	8,926	3,070
Associates (Note 15)	404	4,107	–	3,703
	404	4,107	8,926	6,773
Non-current				
Subsidiaries (Note 14)	–	–	6,181	12,996

The current amounts due from subsidiaries and associates are unsecured, interest-free, repayable on demand and are to be settled in cash. The non-current amounts due from subsidiaries are unsecured, interest-free, to be settled in cash and not expected to be repaid within the next financial year.

Amount due from subsidiaries and associates that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Denominated in:				
United States dollar	–	3,703	5,354	16,294

23. Cash and bank balances

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash and bank balances	10,913	15,917	4,817	5,052
Less: Bank overdrafts (Note 27)	(276)	(182)	–	–
Cash and cash equivalents	10,637	15,735	4,817	5,052

Cash and bank balances earn interest at floating rates based on daily bank deposit rates.

23. Cash and bank balances (cont'd)

Cash and cash balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in:				
United States dollar	1,258	6,296	309	365
Euro	5	11	–	–

24. Trade payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Trade creditors	1,025	3,733	–	–
Amount owing to related company	133	–	–	–
Amount owing to associates	–	85	–	–
	1,158	3,818	–	–
Add:				
Amount due to subsidiaries	–	–	261	1,589
Amount due to associates	168	88	–	–
Advances from non-controlling interest	–	10,849	–	–
Other payables	2,265	1,040	48	195
Accrued expenses	1,293	2,141	179	570
Directors' fees	186	186	186	186
Deposits and advance from customers	535	891	–	–
Finance leases (Note 26)	669	257	–	–
Bank overdrafts (Note 27)	276	182	–	–
Bills payables (Note 28)	8,884	4,036	–	–
Bank loans (Note 29)	16,222	16,442	–	–
Total financial liabilities carried at amortised cost	31,656	39,930	674	2,540

The credit period for purchases of goods ranges from 2 to 3 months (2012: 2 to 3 months). No interest is payable by the Group and the Company on trade payables.

The amounts owing to related company and associates are trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

24. Trade payables (cont'd)

Trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Denominated in:				
United States dollar	277	488	–	–

25. Other payables and accruals

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Amount due to subsidiaries	–	–	261	1,589
Amount due to associates	168	88	–	–
Advances from non-controlling interests	–	10,849	–	–
Other payables	2,265	1,040	48	195
Accrued expenses	1,293	2,141	179	570
Directors' fees	186	186	186	186
Deposits and advances from customers	535	891	–	–
	4,447	15,195	674	2,540

The amounts due to subsidiaries and associates are unsecured, interest-free, repayable on demand and are to be settled in cash.

In the prior financial year, the advances from non-controlling interests is denominated in United States dollars, is unsecured, interest-free, repayable on demand and is to be settled in cash.

Upon completion of the partial disposal of the Company's interest in Shinsei Company (S) Pte Ltd ("Shinsei Singapore") as disclosed in Note 14, the Company's interest in Shinsei Singapore has been reclassified to available-for-sale financial asset.

26. Finance leases

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Amounts payable under finance leases:				
Within one year	291	92	272	82
In the second to fifth year inclusive	413	183	397	175
	704	275	669	257
Less: future finance charges	(35)	(18)	–	–
Present value of lease obligations	669	257	669	257
Less: Amount due to be paid within 12 months			(272)	(82)
Amount due to be paid after 12 months			397	175

The Group leases certain of its plant and equipment under finance leases. The period of these finance leases ranges from 2 to 7 years (2012 : 4 to 7 years). For the year ended 31 December 2013, the average effective interest rate in respect of these finance leases ranges from 1.15% to 4.30% (2012 : 2.68% to 3.71%) per annum. Lease terms do not contain restrictions, concerning dividends, additional debts or further leasing. All leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Singapore dollars.

The fair value of the Group's lease obligations approximates their carrying amount.

27. Bank overdrafts

	Group	
	2013	**2012**
	$'000	**$'000**
Bank overdrafts	276	182

Bank overdrafts are repayable on demand and bear interest at 5.75% (2012: 5.75%) per annum.

The Company provides financial guarantees to banks in respect of bank overdrafts amounting to $276,000 (2012: $182,000) drawn down by a subsidiary.

28. Bills payables

	Group 2013 $'000	Group 2012 $'000
Bills payables	8,884	4,036

Bills payables are repayable between three to six months from the date the bills are first issued. The carrying amounts of the bills payables approximate their fair value due to the short-term maturity.

During the year ended 31 December 2013, the bills payables carry interest at rates ranging from 1.55% to 3.30% (2012: 1.35% to 3.30%) per annum.

The Company provides financial guarantee to banks in respect of bills payables of $8,884,000 (2012: $4,036,000) owing by subsidiaries.

Bills payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group 2013 $'000	Group 2012 $'000
Denominated in:		
United States dollar	–	358

29. Bank loans

	Group 2013 $'000	Group 2012 $'000
Bank loans	16,222	16,442
Less: Amount due for repayment within 12 months	(4,667)	(10,014)
Amount due for repayment after 12 months	11,555	6,428

Bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	Group 2013 $'000	Group 2012 $'000
Denominated in:		
United States dollar	2,117	–

29. Bank loans (cont'd)

The Group has the following bank loans outstanding:

(a) A subsidiary's bank loan of $5,220,000 obtained during 2013 to finance the expansion of a 2 storey industrial warehouse cum office at 52 Tuas Avenue 9, Singapore 639193 bears interest at 1.5% per annum above bank swap. The loan is repayable in 240 equal instalments of $22,000 over its tenure of 20 years commencing from the date of draw down.

(b) A subsidiary's bank loan of $4,428,000 (2012: $4,620,000) obtained in December 2012 to finance the purchase of property at 52 Tuas Avenue 9, Singapore 639193 bears interest at 1.5% per annum above bank swap. The loan is repayable in 240 equal instalments of $23,000 over its tenure of 20 years commencing from date of draw down.

(c) A subsidiary's bank loan of USD1,669,000 (equivalent to $2,117,000) obtained in November 2013 to finance the purchase of piece of vacant land at Lot no. 458, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang Malaysia bears interest at 1.75% per annum above bank costs of funds. The loan is repayable in 39 quarterly principal instalments of USD23,000 and 1 final balloon instalment of USD790,000 over its tenure of 10 years commencing from December 2013.

(d) A subsidiary's bank loan of RMB5,080,000 (equivalent to $1,016,000) drawn down in November and December 2013 bears interest at People's Bank of China times 118% per annum. The loan is repayable in 13 quarterly principal instalments of RMB300,000 and 1 final instalment of RMB1,100,000 over its tenure of 4 years commencing from January 2014.

(e) A subsidiary's bank loan of $1,842,000 (2012: $3,330,000) drawn down in March 2012 carries interest at the prevailing 3-month SIBOR plus 1.50% per annum. The loan is repayable over 10 quarterly instalments commencing from the date of draw down.

(f) Borrowings highlighted in (c) and (e) above and other borrowings totalling $1,599,000 (2012: $2,127,000) are arranged at floating rates with repricing period ranging from one to six months. These rates range from 1.92% to 3.30% (2012: 1.68% to 3.35%) per annum.

During the year, the following bank loans were repaid:

(i) A subsidiary's bank loan amounting to $1,000,000 outstanding as at 31 December 2012 was fully repaid during the year. The loan had carried interest at 3.38% per annum.

(ii) A subsidiary's bank loan of $495,000 which carried interest at 1.87% was fully repaid in January 2013.

(iii) A subsidiary's bank loan of $2,630,000 and $2,240,000 which were drawn down in November and December 2012 bearing interest at 1.25% per annum above bank cost of fund and at a fixed interest rate of 1.88% per annum respectively were fully repaid during the year.

As at 31 December 2013, the Group had available $12,012,000 (2012: $11,500,000) of undrawn committed borrowing facilities.

30. Government grants

These are grants received from the government of the PRC for the improvements and upgrading of the wastewater treatment plants built and operated by the Group. These grants will be recognised in the income statement on a systematic basis when it has been determined that the conditions relating to the grant have been met.

31. Deferred tax liabilities

The following are the major deferred tax liabilities recognised by the Group and the Company. The movements during the current and prior reporting periods are as follows:

	Accelerated tax depreciation	Unrealised profits [1]	Total
	$'000	$'000	$'000
Group			
At 1 January 2012	28	284	312
Charge/(credit) to income statement for the year (Note 8)	65	(22)	43
At 31 December 2012	93	262	355
Credit to income statement for the year	(93)	(10)	(103)
At 31 December 2013	–	252	252

[1] Amount includes construction service income which will only be subjected to tax in future years.

	Accelerated tax depreciation	Revaluation reserves	Total
	$'000	$'000	$'000
Company			
At 1 January 2012	28	–	28
Credit to income statement for the year	(28)	–	(28)
At 31 December 2012, 1 January 2013 and 31 December 2013	–	–	–

Temporary differences arising in connection with interests in associates are insignificant.

32. Share capital

	Group and Company			
	Number of ordinary shares			
	2013	2012	2013	2012
	'000	'000	$'000	$'000
Issued and paid-up:				
At 1 January and at 31 December	248,973	248,973	36,131	36,131

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

33. Reserves

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Currency translation reserve	(291)	(701)	–	–
Reserve fund (Note 34)	44	32	–	–
Share option reserve (Note 37)	900	915	900	915
Retained earnings	26,095	27,063	21,260	27,004
	26,748	27,309	22,160	27,919

34. Reserve fund

Under the present laws and regulations in the PRC, every company incorporated in PRC is required to make appropriations calculated at 10% of its profit after income tax from the retained earnings to the reserve fund every year until the accumulated balance in the reserve fund reaches 50% of the registered capital of that company. Further, every company in PRC is also required to make appropriations at the rates determined by its board of directors from its retained earnings to the enterprise expansion fund every year.

The reserve fund may be used to cover losses incurred by the PRC company and to increase its capital for the expansion of its production capacity. The enterprise expansion fund may be used to increase the capital of the company subject to approval from the relevant government authorities.

In 2013, an amount of $12,000 (2012 : $6,000) was made by the Company's subsidiaries in PRC from their retained earnings to the reserve fund and enterprise expansion fund.

35. Other reserve

This represents the excess of the consideration paid for the acquisition of the remaining 40% equity interest in a subsidiary over the net carrying value of the assets less liabilities at the date of acquisition.

This reserve had been reversed to the retained earnings arising from the disposal of a subsidiary in 2012.

36. Property revaluation reserve

The property revaluation reserve represents increases in the fair value of office and warehouse building and decreases to the extent that such decrease relates to an increase in the same asset previously recognised in other comprehensive income. The property revaluation reserve was transferred to retained earnings on completion of the compulsory land acquisition by SLA in 2012.

37. Share option reserve

Equity-settled share option scheme

The Company has two share options schemes for its non-executive directors and qualifying employees including directors. The schemes are administered by the Remuneration Committee which has the discretion to fix the exercise price for the options at a discount not exceeding 20% to the average of the closing price of the Company's shares for the last three trading days prior to the date of the grant ("average market price").

(a) Market price options

Options with subscription prices which are equal to the market price (the "Market price options") granted to employees may be exercised one year after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director.

(b) Discounted options

Options with subscription prices which represent a discount to the market price (the "Discounted options") may be exercised two years after the date of grant and would expire (i) ten years after such date of grant if granted to an executive director or employee, and (ii) five years after such date of grant if granted to a non-executive director.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2013		2012	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	8,069,000	0.204	9,564,600	0.207
Granted during the year	13,339,000	0.083	–	–
Forfeited during the year	(351,000)	0.184	(1,495,600)	0.224
	21,057,000	0.128	8,069,000	0.204
Exercisable at the end of the year	21,057,000	0.128	8,069,000	0.204

No share options were exercised during the year. The options outstanding at the end of the year have a weighted average remaining contractual life of 4.11 years (2012: 3.84 years).

There are 13,339,000 (2012: Nil) options granted during the financial year ended 31 December 2013.

The fair value of the share options granted under the share options scheme is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

37. Share option reserve (cont'd)

Equity-settled share option scheme (cont'd)

The following table lists the inputs to the option pricing model for the financial year ended 31 December 2013:

	Tranche 1	Tranche 2
Dividend yield (%)	3.00	3.00
Expected volatility (%)	63.01	55.53
Risk-free interest rate (%)	1.26	0.54
Expected life of option (years)	6.00	3.50

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Share-based payment expense amounting to S$49,000 (2012: S$Nil) was recognised during the financial year ended 31 December 2013.

38. Dividends paid

On 27 May 2013, a first and final one-tier tax exempt dividend which was equivalent to 0.3 cent per share was paid to shareholders of the Company in respect of the financial year ended 31 December 2012.

For the year ended 31 December 2013, the directors have proposed that the Company pays a first and final one-tier tax exempt dividend of 0.1 cent per share amounting to a sum of $249,000 based on 248,972,991 shares in issue. The payment of this dividend is subject to approval of the shareholders to be obtained at the Annual General Meeting. This dividend has not been included as a liability in these financial statements.

39. Related parties transactions

Some of the Group's and the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entities entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Associates	1,605	1,956	704	1,484

Sales of goods to related parties were made at the Group's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

39. Related parties transactions (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2013	2012
	$'000	$'000
Short-term benefits	1,859	1,929
Post-retirement benefits	106	141
	1,965	2,070

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. Operating lease arrangements

	Group	
	2013	2012
	$'000	$'000
Minimum lease payments under operating leases recognised as expenses in the year	580	123

At the end of the reporting period, the Group and the Company have outstanding commitments under operating leases, which fall due as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not later than one year	579	792	22	194
Later than one year but not later than five years	1,010	1,261	–	–
Later than five years	6,040	5,994	–	–
	7,629	8,047	22	194

Operating lease payments represent rentals payable by the Group and the Company for certain of their properties and leasehold lands. These operating leases have outstanding terms ranging from 1 to 29 years (2012: 2 years to 30 years).

41. Capital commitments

	Group and Company	
	2013	2012
	$'000	$'000
Capital commitments in respect of new warehouse and office premises	10,946	14,095

42. Segment information

The following segment information is prepared based on the nature of the principal activities of the Company and its subsidiaries. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. They are segregated primarily into five reporting segments; i.e. distribution of stainless steel piping products; manufacturing of steel flanges; manufacturing of cleanroom face masks; engineering construction of piping process system and environmental business. Except as indicated above, no operating segments have been aggregated to form the above reportable segments.

Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on an arms' length basis in the manner similar to transactions with third parties.

Segment revenue and results are the operating revenue and results as reported in the Group's income statement that are directly attributable to a segment and can be allocated on a reasonable basis to that segment.

Segment assets include all operating assets used by a segment and consist principally of trade receivables, inventories and property, plant and equipment. Capital expenditure include the total cost incurred to acquire property, plant and equipment and intangible asset which are directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade payables and accruals.

Income from associates are allocated to each segment on the basis they are specifically attributable to that segment, and correspondingly the investments in associates are included as segment assets of the Group.

42. Segment information (cont'd)

(a) Business segments

	Distribution $'000	Manufacturing of steel flanges $'000	Manufacturing of facemasks $'000	Engineering construction $'000	Environmental business $'000	Elimination $'000	Consolidation $'000
31 December 2013							
Revenue							
External revenue	34,925	9,600	–	186	7,699	–	52,410
Inter-segment revenue	1,013	1,556	–	–	–	(2,569)	–
Total revenue	35,938	11,156	–	186	7,699	(2,569)	52,410
Results							
Segment result	1,047	(1)	–	(972)	1,983	(1,293)	764
Gain on dilution of equity interest in subsidiaries and associates	788	–	–	–	–	–	788
Gain on liquidation of an associate	3	–	–	–	–	–	3
Loss on deregistration of a subsidiary	–	–	–	–	(31)	–	(31)
Share of results of associates	–	(205)	–	–	139	–	(66)
Interest income							33
Finance costs							(560)
Profit before income tax							931
Income tax							(441)
Profit for the year							490
Assets							
Segment assets	75,102	4,909	–	2,131	16,621	–	98,763
Investment in associates	–	–	–	–	2,427	–	2,427
Consolidated total assets							101,190
Liabilities							
Segment liabilities	12,374	169	–	628	4,736	–	17,907
Bank loans	13,089	2,117	–	–	1,016	–	16,222
Consolidated total liabilities							34,129
Other information							
Depreciation and amortisation	572	715	–	30	448	–	1,765
Capital expenditure	9,862	4,437	–	–	1,090	–	15,390
Other non-cash expenses	(26)	(1,076)	–	–	63	–	(1,039)

42. Segment information (cont'd)

(a) Business segments (cont'd)

	Distribution $'000	Manufacturing of steel flanges $'000	Manufacturing of facemasks $'000	Engineering construction $'000	Environmental business $'000	Elimination $'000	Consolidation $'000
31 December 2012							
Revenue							
External revenue	36,236	40,193	1,068	375	4,718	–	82,590
Inter-segment revenue	1,191	3,853	992	9	–	(6,045)	–
Total revenue	37,427	44,046	2,060	384	4,718	(6,045)	82,590
Results							
Segment result	4,824	(1,326)	(342)	(991)	624	(405)	2,384
Loss on disposal of subsidiaries	(294)	–	–	–	–	–	(294)
Share of results of associates	–	509	–	–	180	–	689
Interest income							30
Finance costs							(579)
Profit before income tax							2,230
Income tax							(419)
Profit for the year							1,811
Assets							
Segment assets	58,182	34,649	–	2,639	15,210	–	110,680
Investment in associates	–	3,651	–	–	2,288	–	5,939
Consolidated total assets							116,619
Liabilities							
Segment liabilities	6,826	5,485	426	–	13,049	–	25,786
Bank loans	16,442	–	–	–	–	–	16,442
Consolidated total liabilities							42,228
Other information							
Depreciation and amortisation	170	1,462	36	30	388	–	2,086
Capital expenditure	8,062	93	2	–	2,461	–	10,618
Other non-cash expenses	82	(200)	–	–	44	–	(74)

42. Segment information (cont'd)

(b) Geographical information

The Group's operations are located in Singapore, Malaysia and the PRC. The Group's engineering construction and the distribution of steel products divisions are in Singapore while the Group's manufacturing of steel flanges is in the PRC and Malaysia and facemasks and environmental business divisions are based in Singapore and the PRC.

The following table provides an analysis of the Group's revenue by geographical markets, irrespective of the origin of the goods or services:

	Group	
	2013	**2012**
	$'000	**$'000**
By geographical markets:		
Singapore	29,345	27,987
PRC	7,204	12,293
USA	683	13,207
Taiwan	1,422	3,299
Malaysia	6,841	5,551
Canada	389	4,519
Others [1]	6,526	15,734
	52,410	82,590

(1) Others mainly comprise of United Kingdom, Australia, Netherlands, Indonesia, Japan, Thailand and Switzerland, which individually does not contribute more than 10% of the Group's revenue.

The following is an analysis of the non-current assets by geographical area in which the assets are located:

	Non-current assets	
	2013	**2012**
	$'000	**$'000**
Singapore	19,395	13,653
Malaysia	4,408	–
PRC	10,410	22,249
	34,213	35,902

Non-current assets information presented above consists of property, plant and equipment, prepaid land rental, goodwill, intangible assets, investment in associates and club membership as presented in the consolidated balance sheet.

43. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Finance Director. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

(a) Credit risk

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

The Group's credit risk is primarily attributable to its trade and other receivables. Before accepting any new customer, credit evaluation is performed by the Company's credit review committee on a regular basis and generally do not require any collateral. The credit limit and credit amount granted to customers are reviewed once a year based on current creditworthiness and the past collection history of each customer. Where appropriate, the Group enters into a credit protection scheme with a financial institution.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk is limited due to the customer base being large and unrelated. The credit risk on liquid funds is limited because the Group places its cash with reputable financial institutions.

Exposure to credit risk

The extent of the Group's credit exposure is represented by the aggregate carrying amount of cash and cash equivalents, trade and other receivables and amount due from associates. The maximum amount the company could be forced to settle under corporate guarantee contracts to the banks in respect of facilities extended to its subsidiaries is $25,382,000 (2012: $20,660,000).

43. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	2013		2012	
	$'000	% of total	$'000	% of total
By country:				
Singapore	5,187	59%	5,506	43%
USA	–	0%	2,307	18%
Malaysia	1,768	20%	1,677	13%
PRC	1,012	11%	1,616	13%
Others	866	10%	1,587	13%
	8,833	100%	12,693	100%

At the balance sheet date, approximately 0.4% (2012: 2%) of the Group's trade receivables were due from related parties. There were no customer who represented more than 5% of the total balance of trade receivables.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

43. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk arises when the Group is unable to meet its obligations towards other counterparties. The Group aims to maintain committed bank facilities prudently in excess of its estimated gross borrowing requirements.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	2013				2012			
	1 year or less	1 to 5 years	After 5 years	Total	1 year or less	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Financial assets:								
Trade and other receivables	21,364	–	–	21,364	15,764	–	–	15,764
Amount due from contract customer	1,582	–	–	1,582	2,309	–	–	2,309
Refundable deposits	–	–	668	668	–	–	668	668
Amount due from subsidiaries and associates	404	–	–	404	4,107	–	–	4,107
Cash and bank balances	10,913	–	–	10,913	15,917	–	–	15,917
Total undiscounted financial assets	34,263	–	668	34,931	38,097	–	668	38,765
Financial liabilities:								
Trade and other payables	5,605	–	–	5,605	19,013	–	–	19,013
Finance leases	291	413	–	704	92	183	–	275
Loans and borrowings	14,039	2,616	9,281	25,936	14,240	2,873	3,671	20,784
Bank overdrafts	276	–	–	276	182	–	–	182
Total undiscounted financial liabilities	20,211	3,029	9,281	32,521	33,527	3,056	3,671	40,254
Total net undiscounted financial assets/ (liabilities)	14,052	(3,029)	(8,613)	2,410	4,570	(3,056)	(3,003)	(1,489)

43. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	2013				2012			
	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Company								
Financial assets:								
Trade and other receivables	12,376	–	–	12,376	2,350	–	–	2,350
Amount due from subsidiaries and associate	13,067	–	–	13,067	19,769	–	–	19,769
Cash and bank balances	4,817	–	–	4,817	5,052	–	–	5,052
Total undiscounted financial assets	30,260	–	–	30,260	27,171	–	–	27,171
Financial liabilities:								
Trade and other payables	674	–	–	674	2,540	–	–	2,540
Total undiscounted financial liabilities	674	–	–	674	2,540	–	–	2,540
Total net undiscounted financial assets	29,586	–	–	29,586	24,631	–	–	24,631

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2013				2012			
	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Company								
Financial guarantees	13,827	2,717	8,838	25,382	14,232	2,820	3,608	20,660

43. Financial risk management objectives and policies (cont'd)

(c) Foreign currency risk

The Group transacts business in various foreign currencies, including the United States dollar and Japanese Yen and therefore is exposed to foreign exchange risk.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar against the Singapore dollar. To the extent possible, sales and purchases which are denominated in United States dollar provide natural hedges. The remaining foreign currency exposure is considered limited.

It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise the economic hedge.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD (against SGD), with all other variables held constant, of the Group's profit net of tax and equity.

	Group			
	2013		2012	
	Profit net of tax $'000	Equity $'000	Profit net of tax $'000	Equity $'000
USD/SGD				
– strengthened 10% (2012:10%)	(849)	(849)	(181)	(181)
– weakened 10% (2012:10%)	849	849	181	181

	Company			
	2013		2012	
	Profit net of tax $'000	Equity $'000	Profit net of tax $'000	Equity $'000
USD/SGD				
– strengthened 10% (2012:10%)	(1,492)	(1,492)	(1,666)	(1,666)
– weakened 10% (2012:10%)	1,492	1,492	1,666	1,666

44. Fair values of assets and liabilities

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation input used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There have been no transfers from Level 1 and Level 2 to Level 3 during the financial year ended 2013.

Available-for-sale financial assets (Level 3)

Available-for-sale financial assets arising from the Company's disposal of equity interest in Shinsei Company (S) Pte Ltd and Both-Well Holdings (S) Pte Ltd are stated at fair value at 31 December 2013. The fair value was referenced to the transaction values stipulated in the Sale and Purchase Agreement entered into with various parties on 5 September 2013 as disclosed in Note 14 and Note 15 to the financial statements.

Valuation policies and procedures

The Group's Finance Director, who is assisted by the finance manager (collectively referred to as the "CFO office") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The CFO office is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the CFO office reviews the appropriateness of the valuation methodologies and assumptions adopted. The CFO office also evaluates the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

45. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to stockholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt which includes borrowing as disclosed in Notes 26 to 29 and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 32 to 33.

Management reviews the capital structure of the Company on a yearly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The management also ensures that the Group maintains the capital requirements and complies with the financial covenants within the range imposed by various banks for the borrowings extended to the Group.

The Group's overall strategy for 2013 has remained unchanged from 2012.

46. Authorisation of financial statements

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 March 2014.

Statistics of Shareholdings

As at 17 March 2014

Shareholders' Information as at 17 March 2014

Number of Equity Securities	:	248,973,000
Class of Equity Securities	:	Ordinary Shares
Voting Rights	:	One vote per share

There is no treasury share held in the Company.

Statistics of Shareholdings

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	32	2.07	11,698	0.01
1,000 - 10,000	457	29.52	3,097,146	1.24
10,001 - 1,000,000	1,029	66.47	79,490,602	31.93
1,000,00 and above	30	1.94	166,373,554	66.82
	1,548	100.00	248,973,000	100.00

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Ow Chin Seng*	67,536,758	27.13	8,274,924	3.32
Low Kheng*	8,274,924	3.32	67,536,758	27.13

* Ow Chin Seng and Low Kheng are husband and wife.

Statistics of Shareholdings

As at 17 March 2014

Twenty Largest Shareholders

No.	Name of Shareholders	Number of Shares	%
1.	Ow Chin Seng	67,536,758	27.13
2.	Maybank Kim Eng Securities Pte Ltd	14,258,200	5.73
3.	Hong Leong Finance Nominees Pte Ltd	10,207,000	4.10
4.	Low Kheng	8,274,924	3.32
5.	Lee Teck Leong	6,616,000	2.66
6.	Bank of Singapore Nominees Pte Ltd	6,612,000	2.66
7.	Tan Choon Huat	6,225,000	2.50
8.	United Overseas Bank Nominees (Private) Limited	4,331,400	1.74
9.	Seow Zi-Hua	3,562,000	1.43
10.	DBS Nominees (Private) Limited	3,503,600	1.41
11.	Chew Kit Leng	3,330,646	1.34
12.	Kwek Geok Yong	2,516,072	1.01
13.	Phua Sin Yee	2,448,000	0.98
14.	Phillip Securities Pte Ltd	2,418,400	0.97
15.	Ee Kim Chuan @ Yee Kim Chuan	2,229,200	0.90
16.	HSBC (Singapore) Nominees Pte Ltd	2,052,400	0.82
17.	Peh Choon Chieh	1,966,409	0.79
18.	Ng Theng Lock	1,962,309	0.79
19.	Kwa Ching Tze	1,660,000	0.67
20.	Ang Mong Aiang or Ang Thong Huang (Hong Zhonghan)	1,650,000	0.66
	Total	153,360,318	61.61

Percentage of Shareholding in Public's Hands

Approximately 66 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of **Annual General Meeting**

ANNAIK LIMITED // (Company Registration Number: 197702066M) // (Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AnnAik Limited ("the Company") will be held at 52 Tuas Avenue 9, Singapore 639193 on Thursday, 24 April 2014 at 10.30 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon.
   (Resolution 1)

2. To declare a first and final dividend of 0.10 Singapore cent per ordinary share one-tier tax exempt for the year ended 31 December 2013 (FY2012: 0.30 Singapore cent per ordinary share).
   (Resolution 2)

3. To re-elect the following Directors of the Company retiring pursuant to Article 115 of the Articles of Association of the Company:

   Dr Choong Chow Siong **(Resolution 3)**
   Madam Low Kheng **(Resolution 4)**
   Mr Daniel Lin Wei **(Resolution 5)**

   Dr Choong Chow Siong will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent.

4. To re-elect Dr Yang Guo Ying as Director of the Company retiring pursuant to Article 119 of the Articles of Association of the Company.
   (Resolution 6)

5. To approve the payment of Directors' Fees of S$186,000 for the year ended 31 December 2013 (FY2012: S$186,000).
   (Resolution 7)

6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
   (Resolution 8)

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

As Special Business

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

8. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

(Resolution 9)

9. Authority to grant options and issue shares under the AnnAik Employee Share Option Scheme 2013

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised and empowered to offer and grant options under the prevailing AnnAik Employee Share Option Scheme 2013 ("the Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

(Resolution 10)

By Order of the Board

Wong Yoen Har
Company Secretary

Singapore, 9 April 2014

Explanatory Notes:

(i) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options under the Scheme and to allot and to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 52 Tuas Avenue 9, Singapore 639193 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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ANNAIK LIMITED

Company Registration No. 197702066M
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy AnnAik Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____________________
of ____________________
being a member/members of AnnAik Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 24 April 2014 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2013		
2	Payment of proposed first and final dividend		
3	Re-election of Dr Choong Chow Siong as a Director		
4	Re-election of Madam Low Kheng as a Director		
5	Re-election of Mr Daniel Lin Wei as a Director		
6	Re-election of Dr Yang Guo Ying as a Director		
7	Approval of Directors' Fees amounting to S$186,000		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors		
9	Authority to issue new shares		
10	Authority to grant options and issue shares under AnnAik Employee Share Option Scheme 2013		

Dated this ________ day of ____________________ 2014

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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