



STEADY AND **UPWARD**



Established since 1977 with
47 years solid track records

Manufacturing Operations are Certified and Awarded with
ISO 9001:2015
TUV, CRN and ClassNK

Build-Own-Transfer ("BOT")
 Build-Own-Operate ("BOO")
 Private-Public- Partnership ("PPP")

>6000
 systems sold



1
 rural wastewater business
 under PPP model

8
 industrial wastewater treatment
 plants under BOT/BOO model

DISTRIBUTION

Warehouse holds over 10,000 products such as stainless steel pipes, flanges, butt welded fittings, low/high pressure fittings, valves, stub ends, and flat products

Awarded: ISO 9001:2015 standards for quality management operation as stainless steel producer and stockist

Over 650 customers across the region

MANUFACTURING

Shinsei steel flanges

Awarded ISO 9001:2015, TUV, CRN, and ClassNK certification and approved for international product standard compliance

Serve a wide base of customers

ENVIRONMENT AND ENGINEERING SERVICES

Construct and operate industrial wastewater treatment plants in the PRC

Consulting service in water resource management, including governmental and commercial operators in Singapore

Construct and supply rural wastewater treatment equipment in the PRC

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). The Annual Report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Annual Report including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Ms Audrey Mok (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

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.

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About AnnAik

Tracing its beginning to 1977, AnnAik Limited is today a manufacturer of forged steel flanges, and a distributor of over 10,000 products such as stainless steel pipes, flanges, butt-welded fittings, low/high pressure fittings, valves, stub ends, and flat products. AnnAik also engages in providing environmental services in the PRC and Singapore to governmental and commercial operators.

AnnAik's manufacturing operations are certified and awarded with ISO 9001:2015, TUV, CRN and ClassNK certification and approved for international product standard compliance. The reliable quality of AnnAik's products under "SHINSEI" brand also make us greatly sought after by a wide base of customers from around the world.

Similarly, the distribution division serves over 650 customers globally. Awarded: ISO 9001:2015 standards for quality management operation as stainless steel producer and stockist, AnnAik also went on to achieve bizSAFE Level 3 accreditation in 2014.

In 2005, the Group diversified into environmental business by securing contracts to build wastewater treatment plants in the PRC. Today, the Group not only has eight wastewater treatment plants in the PRC under Build-Own-Transfer ("BOT") or Build-Own-Operate ("BOO") concept, we have also expanded our service offerings to include consulting services in water resource management to governmental and commercial operators in Singapore, as well as the construction and supply of rural wastewater treatment equipment and system in the PRC.

Notably, AnnAik's capabilities in both upstream and downstream activities have enabled us to enhance our efficiency and cost competitiveness in our business operations. Furthermore, the use of our products in diverse industries ranging from heavy-duty to light-duty industries such as marine engineering, shipbuilding and repair, oil and gas, petrochemical, semiconductor as well as the utilities sector has empowered the Group to build a sustainable business.



Chairman's Message



Dear Shareholders,

2023 turned out to be a “challenging year” as tensions between the US and PRC remain, the war in Ukraine is at a stalemate with no immediate resolution in sight and the Israel- Hamas conflict has led to geopolitical uncertainties. These events continue to weigh on the global economy. Although Singapore economy avoided a recession in 2023, the GDP merely grew by 1.2%¹ as high interest rates and inflationary economic conditions continue to dampen investment and business activities in 2023.

On behalf of the Board of Directors, I am pleased to present the results of AnnAik Limited and its subsidiaries (“AnnAik” or “the Group”) for the financial year ended 31 December 2023 (“FY 2023”). It is heartening to share that despite the various global challenges in the economy, the Group had delivered another sustainable scorecard for FY 2023. These results would not have been possible without our team’s strong operational resilience and agility which have been instrumental to the Group’s performance. We navigated through another year of challenges and avoided certain business pitfalls with careful assessments to ensure business sustainability and viability.

The normalisation in steel prices since 2nd quarter of 2022 had resulted in lower turnover and contributions from the distribution of steel division. Nevertheless, our manufacturing of steel division surprisingly recorded better results in FY 2023 following our strategy of expanding local distribution capability and products range in Malaysia. Our environmental division continue to deliver profits to the Group’s results despite a slowdown in PRC’s economy.

The Ministry of Trade and Industry (“MTI”) is maintaining Singapore’s GDP growth forecast at 1.0% to 3.0%² for FY 2024. Barring any unforeseen circumstances and amongst others, escalation of current geopolitical conflicts and further slowdown of PRC’s economy, we are cautiously optimistic of our business outlook for FY 2024.

Navigating through Challenges with Positive Results Delivered

With the softening of steel price in FY 2023 coupled with consistent contributions from our environmental division, our Group has achieved a profit attributable to owners of the Company of S\$3.25 million for FY 2023.

Manufacturing of steel flanges division had registered a higher turnover in FY 2023. This positive development is the result of the new strategy adopted of expanding local distribution capability and product ranges in Malaysia. We will continue strengthening the awareness of our house brand – SHINSEI to attract more loyal customers in the region. We strongly believe such strategy will bring us long-term results and intangible benefits of our brand.

¹ https://www.mti.gov.sg/Newsroom/Press-Releases/2024/01/Singapore-GDP-Grew-by-2_8-Per-Cent-in-the-Fourth-Quarter-of-2023-and-by-1_2-Per-Cent-in-2023

² https://www.mti.gov.sg/Newsroom/Press-Releases/2024/02/MTI-Maintains-2024-GDP-Growth-Forecast-at-1_0-to-3_0-Per-Cent

Chairman's Message

Our distribution of steel business in Singapore was affected by softening of steel prices causing a dip in both sales and results in FY 2023. Nevertheless, as a reputable and trusted distributor of steel products in Singapore for more than 45 years, we will continue serving customers in the region with competitive pricing, quality products and value-added delivery services through our extensive stocks holding position in Singapore and Malaysia. A "stop-start" strategy is currently implemented for our trading of steel and non-steel products business in FY 2023 after cessation of business since September 2022. We will continue reviewing the market conditions, and analyse the risks and rewards before any activation of this business.

Our environmental business is maintaining a healthy contribution of profit to the Group in FY 2023. Recent completion of upgrading of wastewater treatment plant in Shuanglin Huzhou Wastewater Treatment Co., Ltd has enhanced our assets' value in the industrial cum municipal wastewater business and capability to meet the stringent requirements set by Ministry of Environment in PRC. It is heartening to note that the environmental division has proven its resilience and has consistently grown despite a general slowdown of the economy in PRC. As part of our Group's on-going efforts to rationalise its business, we have in December 2023 announced the proposed disposal of our 51% stake in Pioneer Environmental Technology Pte. Ltd. that is primarily engaged in hazardous wastewater business. This comes after a careful assessment of the strategic risks and rewards, to limit risk exposure of the Group in engineering, procurement and construction ("EPC") projects in Singapore.

Realising Growth Opportunities

One potential expansion of wastewater treatment projects in Changxing WuSheng Wastewater Treatment Co., Ltd is in the pipeline for FY 2024. Again, our local team in PRC has demonstrated its capability in process design, adoption of treatment technology, management and investment capabilities in our environmental division. We will continue looking for similar opportunities in PRC and the region for expansion.

Looking Ahead for New Growth

The Group continues to look for other sustainable business model and activities to add into the portfolio of current businesses. This include environmental related businesses which are currently under review. On the other hand, we will further expand steel grade products to be kept and distributed in Singapore in order to grow the top and bottom streams of our distribution business.

We remain confident and trust that with our Group's collective resilience and perseverance and under the stewardship of the Board of Directors, backed by the collective efforts of the management team, the Group can continue to build long term sustainable business growth and enhance value for our shareholders and other stakeholders.

Understanding of Challenges Ahead

Looking ahead, the global business landscape is still fragile and weak with ongoing geopolitical tensions. Lowering of interest rate expectation and recovery of PRC economy are key factors that the Company eagerly anticipates in the evolving business landscape, which will bolster the performance of our main business and mitigate business risks. The Group will continue to exercise financial prudence in cost and working capital management, focus on operational efficiency and mitigate business risks through its periodical review.

AnnAik remains committed to realising our strategic objectives and achieving our profitability goals. Thus, apart from maintaining a strong focus on our existing businesses, we will adapt strategies in tandem with shifts in the economic landscape to ensure competitiveness and seize emerging growth opportunities.

Dividend

The Board of Directors is pleased to propose a first and final one-tier tax-exempt dividend of 0.3 Singapore cent per share for the financial year ended 31 December 2023. The dividend will be paid out to shareholders subject to approval at the forthcoming annual general meeting.

In Appreciation

AnnAik had a productive year in 2023. We managed to deliver creditable results despite challenging macroeconomic circumstances. This achievement belongs not only to AnnAik, but also our shareholders, customers, suppliers and business partners. Their continued support, trust and confidence in us have strengthened our resolve to work harder and do better. Of course, we also recognise that these results would have been impossible without invaluable contributions from our Board, management and staff. We are grateful to have you on our journey and we look forward to this continued support as we endeavour to achieve new milestones and greater times together.

James Ow Chin Seng

Executive Chairman cum CEO



Board of Directors

Mr Ow Chin Seng, BBM, PBM

Executive Chairman cum CEO
Date of appointment: 31 March 1990
Date of last re-election: 29 April 2022

Mr Ow Chin Seng joined the Company in 1978. As Executive Chairman cum CEO, Mr Ow is primarily responsible for the business and strategic development of the Group. With over 40 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 the past President of the Singapore-China Business Association, Council Member of SCCCI, Council member of Singapore-Zhejiang Economic & Trade Council and Permanent honorary president of Singapore Metal & Machinery Association. He is also active in public service activities, serving as a member on the committees of several public organisations, such as Patron of Bukit Gombak Constituency Citizen's 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. He was also awarded the title of Bintang Bakti Masyarakat (BBM) during the National Day Award Ceremony in 2023.

Mr Ow Eei Phurn Benedict

Executive Director cum Sales Director
Date of appointment: 7 May 2021
Date of last re-election: 29 April 2022

Mr Benedict Ow worked in the Company's as Finance Manager from 2004 to 2010 and left to pursue his own interest. In 2012, Mr Benedict Ow rejoined the Company and took on the role of Project Sales Manager and was promoted to Sales Director in March 2020. Mr Benedict Ow was subsequently appointed as an Executive Director in May 2021. His current roles are to assist the overall distribution business of the Group and managing the Group's supply chain operations. Mr Benedict Ow holds a Bachelor of Commerce from the University of Melbourne, Australia, and is a full member of CPA Australia.

Mr Ng Kim Keang

Executive Director cum Chief Operating Officer
Date of appointment: 3 January 2005
Date of last re-election: 27 April 2023

Mr Ng Kim Keang joined the Company in January 2003 as Financial Controller, and was promoted to Executive Director in January 2005 and Chief Operating Officer in March 2015. Currently, Mr Ng is responsible for managing the overall operations and the finance and accounting matters of the Group. Prior to joining the Company, Mr Ng 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 CA Singapore.

Mr John Lim Geok Peng

Lead Independent Director
Date of appointment: 11 July 2017
Date of last re-election: 29 April 2022

Mr John Lim Geok Peng is the CEO of CPA Partnership Pte Ltd and CPA John Lim & Co. He graduated with a Bachelor of Accountancy from National University of Singapore and is a practicing member of the Institute of Singapore Chartered Accountant as well as CPA Australia.

Mr Lim is appointed as a lay person on the Inquiry Panel of the Legal Profession Act. Previously, Mr Lim was the Audit and Assurance Partner as well as HR and Training Partner at PKF-CAP LLP. He was also previously the Deputy Director and Head of the Practice Monitoring Division of ISCA, Co-Managing Director of a public accounting firm and CFO of a large non-profit organisation.

Board of Directors

Ms Tan Poh Hong

Independent Director

Date of appointment: 26 July 2018

Date of last re-election: 30 April 2021

Ms Tan Poh Hong was the Chief Executive Officer of Agri-Food & Veterinary Authority (AVA) of Singapore from 2009 – 2017. She was instrumental in transforming and expanding the organisation's mandate to cater to new challenges facing the country. In particular, she built up the organisation's capabilities to manage and strengthen Singapore's food security.

Prior to her appointment at AVA, Ms Tan was the Deputy CEO of the Housing and Development Board (HDB) from 2004 to 2009. She also held various staff and operation headship positions throughout the HDB, including oversight of corporate governance, organisational development and transformation, human resource management, public communications, and community engagement. She holds a BSc (Hons) in Estate Management from the National University of Singapore (1981), and a Master of Business Administration (with Distinction) from New York University (1988). She was awarded the Public Administration Medal (Gold) in 2013, and the Public Service Medal in 1999 by the Singapore Government.

Mr Gan Thiam Poh

Independent Director

Date of appointment: 30 September 2019

Date of last re-election: 27 April 2023

Mr Gan Thiam Poh was appointed on 30 September 2019 as an Independent Director of AnnAik Limited. Mr Gan has worked at DBS Bank since 2002 and is currently the Senior Vice President of Private Banking, DBS Bank Ltd. He has been in the Banking and Finance Industry since 1989 and held several leadership and senior roles in Institutional Banking.

In his current role, he advises high-net-worth and ultra-high net-worth families with valuable wealth planning solutions.

Mr Gan is the Vice Chair of Singapore India and South Asia Parliamentary friendship groups as well as member of Singapore Europe Parliamentary friendship group. He has been the Member of Parliament since 2011 and is currently the Member of both Government Parliamentary Committee, Ministry of Sustainability and Environment as well as Ministry of Transport. He was also the member of Singapore Parliament Select committee (Public Accounts). He was the Audit Committee Chairman and Independent Director of Mainboard Listed Ouhua Energy Holdings Limited. Mr Gan holds a Bachelor of Science (Economics and Mathematics) degree from the National University of Singapore.

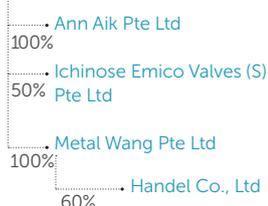
Group Structure

As at 31 December 2023

MANUFACTURING BUSINESS



DISTRIBUTION BUSINESS



ENVIRONMENTAL & ENGINEERING BUSINESS



- Rural Wastewater Treatment Business
- Industrial & Municipal Wastewater Treatment Business
- Hazardous Wastewater Treatment Business

Notes:

* An Unrelated Individual Holds 0.02% Shareholding.

(1) The Group is in the process of disposing Pioneer and its subsidiaries and associated companies to a third party and the date of disposal is deemed to be 30 September 2023.

(2) MS Pioneer Technology Sdn Bhd is classified as a joint venture for consolidation purposes. As the share capital for the incorporation of the said entity was only injected in November 2023, there is no material impact on the Group's financial statements as Pioneer and its subsidiaries were deemed disposed on 30 September 2023.

Operations Review

The Group's profit after tax attributable to owners of the Company dipped to S\$3.25 million in the financial year ended 31 December 2023 ("FY2023") as compared to profit after tax of S\$5.53 million recorded in the prior year. This was mainly due to a normalisation of steel price in the beginning of the year as compared to the financial year ended 31 December 2022 ("FY2022") which resulted in reduced gross profit.

The Group's revenue for current year decreased by approximately S\$35.07 million or 42.39% from S\$82.73 million for FY2022 to S\$47.66 million for FY2023. The decrease was mainly due to:

- substantial lower sales in PRC and India from its trading of steel and non-steel business under the distribution division. The Group had ceased operations in trading of steel and non-steel business with external parties since September 2022.
- lower turnover from environmental business division attributed to lower sales generated from industrial cum municipal wastewater business in the PRC; and partially offset by:
- higher sales generated from manufacturing of steel flanges due to improvement of SHINSEI brand's awareness after intensive marketing efforts.

Distribution of Steel Products Business and Trading of Steel & Non-Steel Products Business under Distribution Division

The distribution division registered a lower revenue of S\$31.89 million in FY2023 as compared to the prior year. The reduction in revenue was mainly attributable to cessation of trading of steel and non-steel business with external parties since September 2022.

Within the geographical markets under the distribution division, sales to the PRC, India, Singapore and South Korea decreased by S\$15.06 million, S\$17.37 million, S\$2.26 million and S\$0.57 million respectively. The cessation of business operations of a steel trading business in 2022 has also resulted in lower sales of S\$0.75 million to United Kingdom, Australia and New Zealand under the distribution division in FY2023. However, the decrease was partially offset by an increase in sales of goods to Indonesia by S\$1.09 million due to the successful penetration of this new market. An increase in sales of goods to Malaysia and Japan by S\$2.06 million and S\$0.56 million respectively was attributable to the increase in distribution of steel.

Gross profit decreased in tandem with lower revenue for the reasons explained above. However, overall gross profit margin improved due to a change in product mix.

Manufacturing of Steel Flanges Division

Manufacturing of steel flanges division has also shown an increase in turnover and gross profit by S\$1.09 million and S\$0.02 million respectively as compared to prior year due to improvement of SHINSEI brand's awareness after intensive marketing effort.

Environmental Business Division

For the environmental business, it remains the cornerstone of the Group's results in FY2023. Both the rural wastewater treatment business under Engineering Procurement and Construction ("EPC") model and the industrial cum municipal wastewater treatment business under Build-Own-Transfer ("BOT") and Build-Own-Operate ("BOO") model in PRC have seen a steady growth in terms of profit contribution during the year. As announced on 13 December 2023, the Company has entered into a sale and purchase agreement in relation to the disposal of all the Company's shares in Pioneer Environmental Technology Pte. Ltd. ("Pioneer"), a 51% owned subsidiary of the Company subject to the fulfilment of the condition precedents. Following the proposed disposal, the Group will cease its hazardous wastewater treatment business.

Financial Position Review

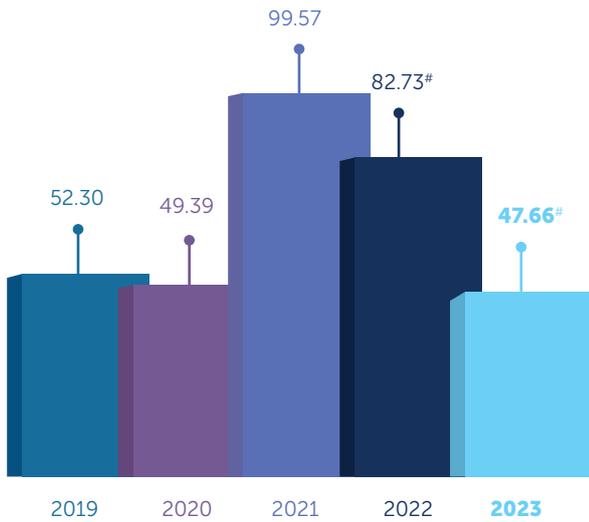
The Group maintained a healthy and positive working capital of S\$33.74 million or current ratio of 2.40 times with current assets of S\$57.79 million and current liabilities of S\$24.05 million as at 31 December 2023. The cash and cash equivalents as at 31 December 2023 decreased by S\$2.78 million to S\$12.23 million. Operating activities generated significant positive cash flows amounting to S\$6.26 million in the current year. Cash flows used in investing activities of S\$2.33 million mainly due to additions of intangible assets amounting to S\$1.71 million and purchase of property, plant and equipment amounting to S\$0.56 million. Financing activities have recorded a net cash outflow of S\$6.38 million due to dividend payment of S\$2.22 million, net loan repayment of S\$3.90 million and payments towards obligation under lease liabilities of S\$0.49 million.

The Group's net asset value attributable to owners of the Company per share as at 31 December 2023 was 22.45 cents and basic earnings per share (including discontinued operations) was 1.13 cents.

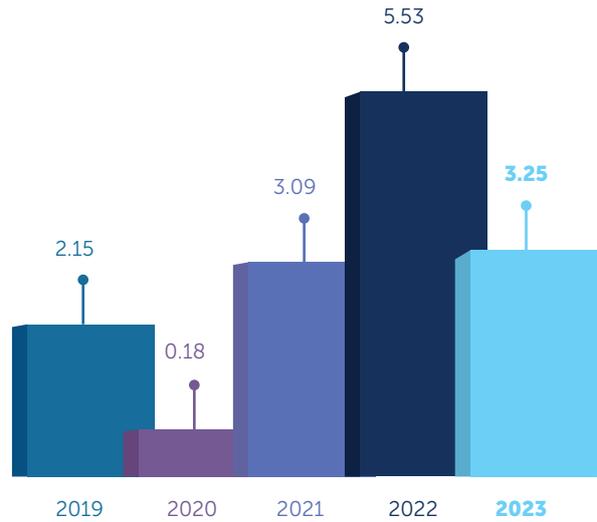
The Group will continue to optimise its debt and equity capital balance to maximise returns for shareholders.

Financial Highlights

Turnover
(S\$ Million)

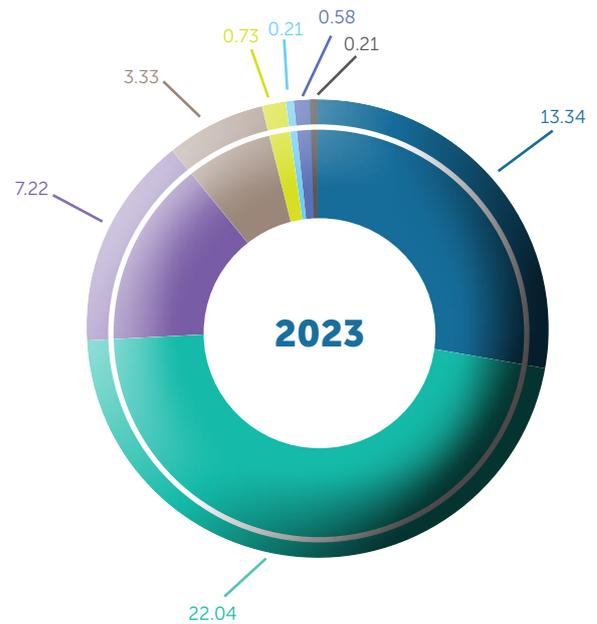
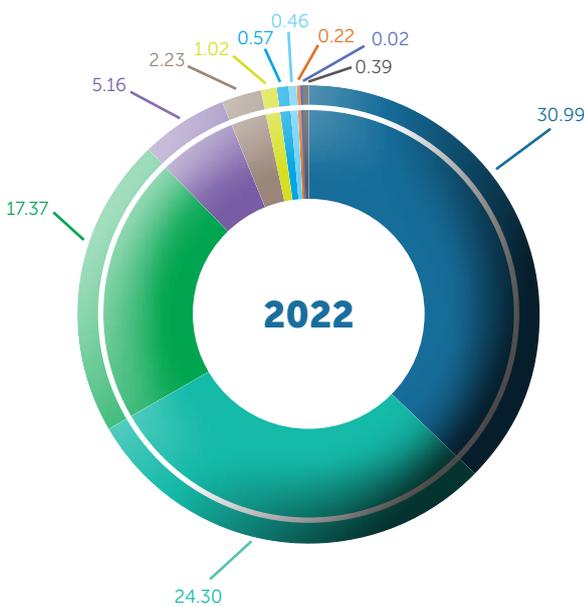


Net Profit Attributable to Owners of the Company
(S\$ Million)



Excludes the revenue from discontinued operations of S\$5.08 million and S\$2.74 million in FY2022 and FY2023 respectively

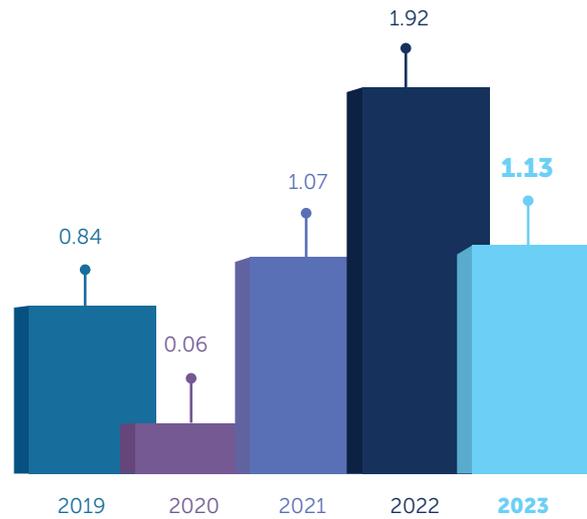
Turnover by Geographical Area
(S\$ Million)



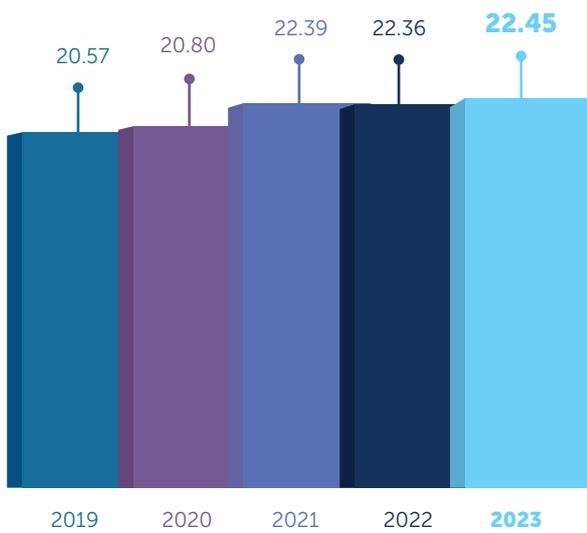
Excludes turnover contributions from discontinued operations for FY2022 and FY2023

A Sustainable Year...

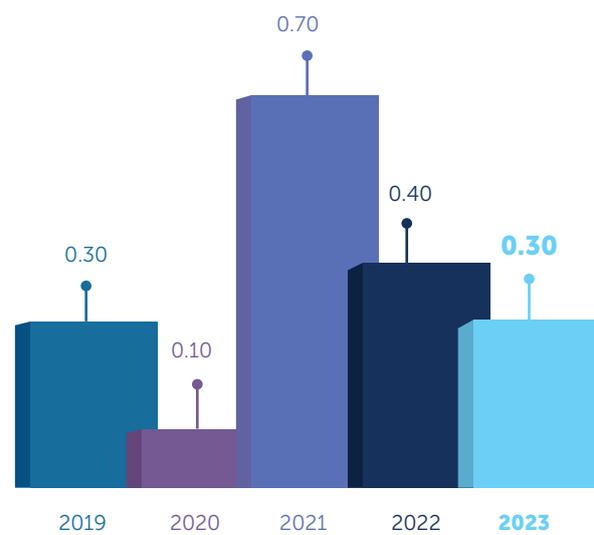
Earnings per Share (Cents)



Net Assets per Share (Cents)



Dividend (Cents)



Sustainability Report

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

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The contact person for the Sponsor is Ms. Audrey Mok (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



Sustainability Report

● About this report

Reporting scope and boundaries

The indicators and performance data in this report covers AnnAik Limited and its subsidiaries as a Group which corresponds to our Corporate Structure in the Annual Report. The Group ("AnnAik"), refers to the Company, AnnAik Limited and the entities which AnnAik has direct managerial control.

This year, this report focuses on AnnAik's sustainability performance across business divisions in Singapore. We intend to expand the scope of our report to include other divisions and countries where AnnAik is present in the future.

Reporting Standard

We have developed this report with reference to the Global Reporting Initiative ("GRI") Standards 2021 as it is the most widely used and internationally accepted sustainability reporting framework and continues to be deemed most suitable for AnnAik's sustainability reporting. This report also complies with the SGX-ST Listing Rules (711A and 711B). In addition, we have integrated the United Nations Sustainable Development Goals ("SDGs") into our materiality process to reflect AnnAik's contribution and commitment to achieving the SDGs.

We are currently carrying out a preliminary risk assessment of how climate change will affect our operations based on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and will disclose our approach to addressing climate-related risk and opportunities in our next Sustainability Report. Please refer to the TCFD Index on page 34 for the TCFD recommendations context index.

We have not sought external assurance for this report. External assurance will be considered as reporting matures.

Reporting period

This report covers our sustainability performance and efforts from 1 January 2023 to 31 December 2023 ("FY2023"). We have included comparative historical data in this report that are presently available. We will report on our sustainability performance and efforts on an annual basis. This will serve as a platform to communicate our economic, social, environmental and governance progress and commitments to the various stakeholders.

Assurance

Our financial statements have undergone audits by our independent auditor. Our environmental, social and governance ("ESG") performance data is reported in good faith and to the best of our knowledge. We have an internal mechanism for verifying our ESG data for accuracy and reliability. While external assurance has not been sought for the sustainability report, an internal review on our sustainability reporting process has been performed.

Accessibility and Publication Information

The Group is committed to environmental conservation efforts and, as such, will refrain from printing any copies of this sustainability report. However, hard copies will be made available upon request by members of the Group. A current electronic edition of the report is available at: the Company's website www.annaik.com and on SGXNet.

Feedback

Our stakeholder's feedback is important to us. Please address all feedback to our Investor Relations team at kkg@annaik.com and cheeseng@annaik.com.

Sustainability Report

● Board Statement

AnnAik believes sustainability is important for every business, as even the most successful companies in the world today do not just simply embrace sustainability as a supporting function but ensure that it is integrated into every function of their operations. We pursue our business goals and drive our sustainability initiatives forward so as to balance economic prosperity with our Corporate Social Responsibility together.

Our Sustainability Report 2023 ("Sustainability Report") is prepared with reference to the GRI 2021 Standards and maintains a consistent approach to sustainability reporting as established in the prior year which focuses on ESG factors that have been carefully selected to be material factors, given the Group's key stakeholders.

The Group also recognises the aim of the TCFD is to improve transparency of organisations' climate-related risks and opportunities so that investors can make informed decisions on where to deploy their capital. For this Sustainability Report, we have adopted the recommendations of the TCFD on a phased approach, as well as continue reporting on our Scope 1 greenhouse gas emissions to understand and monitor our baseline emissions in order to set realistic targets. We endeavour to share our progress towards meeting all the recommendations of the TCFD in our next Sustainability Report.

The Board of Directors of AnnAik Limited (the "Board") has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

● About AnnAik

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Sustainability Report

● Organisation Profile

Name	AnnAik Limited ("AnnAik")
HQ Location	52 Tuas Avenue 9, Singapore 639193
Geography	AnnAik has operations in 3 countries. It has offices, operating facilities and manufacturing facilities in Singapore, China and Malaysia.
Legal Form	AnnAik is as publicly listed on the Catalist Board of Singapore Exchange. Currently the largest shareholder of AnnAik is Mr Ow Chin Seng, who holds approximately 33.82% of shareholding ⁽¹⁾ .

Organisation Scale



Revenue

	Manufacturing \$'000	Distribution \$'000	Environmental \$'000	Sub-total \$'000
Revenue from continuing operations	4,133	30,186	13,340	47,659

Workforce

	Male	Female	Total
Singapore	24	22	46

External Initiatives

- ISO 9001:2015 Quality Management
- Practice Workplace Safety
- Attained BizSafe Level 3
- NS MARK GOLD
- Employers' Pledge of Fair Employment Practices

Membership of Associations

- Associate member of Singapore Metal and Machinery Association (SMMA)
- Member of Singapore Business Federation
- Member of Singapore China Business Association
- Member of Taipei Business Association
- Member of Singapore China Friendship Association
- Member of Singapore Chinese Chamber of Commerce & Industry
- Member of Singapore Water Association
- Member of Business China Singapore

Note 1: For indirect interest if any, kindly refer to AnnAik Limited Annual Report 2023

Note 2: Only Singapore division employees have been included in this report

Sustainability Report

● 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.



● Code of Conduct & Ethics

The Group's Code of Conduct ("Code"), comprising internal corporate governance practices, policy statements and standards, serves as a guide to all its employees and officers for both legal compliance and appropriate ethical conduct.

Accessible to Board members and employees of the Group as well as its relevant stakeholders, the principles and standards in the Code are intended to enhance investor confidence and rapport, and to ensure that decision-making is ethically and properly carried out in the best interests of the Group. The Code is reviewed from time to time and updated to reflect changes to the existing systems or the environment in which the Group operates.

The Code sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with fellow employees; customers; competitors; suppliers; government agencies and officials; and the community in general. Among others, key areas covered by the Code include workplace health and safety; workplace and business conduct; safeguarding of assets of the Group and other parties; handling of confidential information and trading policy; conflict of interest; personal data obligations; and compliance with laws including a whistle blowing policy. The Group has developed compliance education as part of the regular education programmes it administers. Under these programmes, employees are briefed on this Code and other compliance-related issues, either on its own or with the support of Accounting and Finance, and Human Resources department.

Sustainability Report

● Governance Structure

Sustainability Governance is led by the Board of Directors and supported by all levels of the Group. The Board, with the assistance of Audit Committee, will ensure that we have the right policies and practices in place, with appropriate targets and measurements developed, and sufficient resources dedicated to sustainability-related initiatives. We will progressively strengthen the sustainability governance structure so that there is clear accountability and oversight.

The Board will review and deliberate on the sustainability issues, while the Senior Management has the responsibility to ensure that the ESG factors and climate-related matters are monitored on an ongoing basis and appropriately managed. The Senior Management is responsible for reviewing the Group's sustainability performance and material topics, analysing climate-related risks and opportunities, addressing stakeholder concerns, setting of targets and goals for material factors, and establishing systems to collect, verify, monitor, and report information required for sustainability reporting. The Board of Directors and Senior Management meet annually or as and when required to discuss, propose, coordinate, and promote the Group's sustainability practices.



Board of Directors

Oversees the sustainability direction, strategies, policies



Senior Management

Advises and supports the Board on sustainability matters, strategies, policies

Overall management and monitoring of sustainability performance and targets



All Staff

Implement sustainability initiatives and provide feedback on improvements



Sustainability Report

● Stakeholder Engagement

We identify our diverse stakeholder groups based on their level of influence to our business. We also regularly engage and consult them. Where appropriate and relevant to our business, we incorporate their feedback into the Group's plans and actions.

We use both formal as well as informal engagement methods to interact with a range of stakeholders. Our significant stakeholders and how we engage with them are summarised below:

Stakeholder Group	Engagement Method	Key Topics and Concerns	Our Response
Customers	<ul style="list-style-type: none"> Enquiry and feedback channels Direct customer meeting 	<ul style="list-style-type: none"> Quality of products and services Cost-competitiveness Operational efficiency 	<ul style="list-style-type: none"> Manage our key accounts Conduct regular internal management reviews to ensure customers' needs are fulfilled Provide timely feedback
Suppliers	<ul style="list-style-type: none"> Quotations Periodic discussion Factory visits 	<ul style="list-style-type: none"> Fair and transparent business conduct Continuous engagement Quality of products supply On time payments 	<ul style="list-style-type: none"> Set quarterly reviews on key suppliers Manage the expectations of suppliers and customers
Employees	<ul style="list-style-type: none"> Performance appraisals Seminars and training sessions Internal memos 	<ul style="list-style-type: none"> Training & career development Health and safety Staff welfare 	<ul style="list-style-type: none"> Provide more training Ensure effective human resource policies and staff welfare
Investors	<ul style="list-style-type: none"> Annual Report Annual General Meeting SGX Announcements and press releases on SGX and our corporate website 	<ul style="list-style-type: none"> Financial results Key developments Investor relations 	<ul style="list-style-type: none"> Provide half yearly and full year results announcements and dedicated investor relations website Practice good corporate governance Ensure sustainable business growth
Government and Regulators	<ul style="list-style-type: none"> Calls and meetings when required Relevant government association memberships Frequent communication with relevant parties 	<ul style="list-style-type: none"> Compliance with regulatory requirements 	<ul style="list-style-type: none"> Ensure compliance with applicable laws and relevant government association memberships Participate in networking sessions and talks held by the government to understand industry regulations and share our perspectives
Local communities	<ul style="list-style-type: none"> Community engagement activities Responsible business practices 	<ul style="list-style-type: none"> Clean and safe environment Community projects Participation in corporate social responsibility activities 	<ul style="list-style-type: none"> Collaborations with different community groups Support community programmes

Sustainability Report

● Materiality Assessment

The Board is satisfied with the management approach towards identification and prioritisation of material topics and has provided resources to manage the governance of sustainability.

We conduct a materiality assessment annually to ensure that our sustainability efforts across each aspect of ESG align with matters that are important to our business and stakeholders. Our four steps approach on materiality assessment as follows:

Identify	Through focus group discussion, we identified potential material topics.
Prioritise	Prioritisation of the material sustainability factors and identification of key sustainability factors to be reported.
Validate	The prioritised material issues were validated internally.
Review	Follow up with stakeholders to get feedback on the material topics reported to improve future sustainability report.

We conducted a high-level benchmarking exercise on a universe of topics to shortlist the key topics where our company created significant economic, environmental, social and governance impacts. We took into consideration the material topics and future challenges of our industry as identified by our peers and competitors. This includes relevant laws, regulations and international agreements of strategic significance to our Group.

Our material issues are identified based on the significance of economic, environmental, social and governance impacts and the degree of influence they have on stakeholder assessments and decisions. We develop our material topics through stakeholder feedback, new trends in sustainability, challenges faced by the industries and our own business goals. We therefore focus our sustainability efforts and reporting on these issues. We continue to focus on our previously identified material issues as they remain relevant to the Group.

Sustainability Report

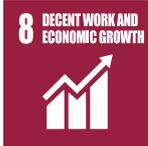
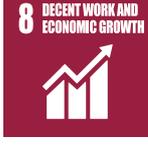
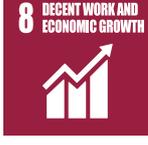
● Materiality Assessment

Material Topic		Material factor
	Economic	Economic Performance
		Diversity and equal opportunities
	Social	Employment
		Training and education
		Protecting human rights
		Occupational health and safety
		Local communities
	Environmental	Energy consumption and emissions reduction
		Reduce, reuse and recycle
	Governance	Whistle blowing policy
		Anti-corruption
		Operational risk
		Financial risk
		Supply chain management

Sustainability Report

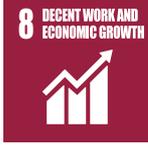
● Contributing to Sustainable Development

We continue to integrate the SDGs into our materiality process to guide our contribution to sustainable development. In the table below, we provide an overview of how our material topics align with the relevant SDGs, zooming in on a target level to provide a sharper focus on the areas we can impact.

ESG Factors	GRI Standards	SDGs
Economic	GRI 201: Economic Performance 2016	
Social	GRI 401: Employment 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 413: Local Communities 2016	 
Social	GRI 404: Training and Education 2016	 
Social	GRI 403: Occupational Health and Safety 2018	
Governance	GRI 2-27: Compliance with laws and regulation GRI 205: Anti Corruption 2016 GRI 414: Supplier Social Assessment 2016	

Sustainability Report

● Contributing to Sustainable Development

ESG Factors	GRI Standards	SDGs
Environmental	GRI 302: Energy 2016	 
Environmental	GRI 305: Emissions 2016 GRI 306: Waste 2020	
Social	GRI 406: Non-Discrimination 2016 GRI 408: Child Labour 2016 GRI 409: Forced or Compulsory Labour 2016	 

Sustainability Report

Social

Our People

AnnAik understands that people are key assets to the Group. To create an engaging and holistic environment where our people are able to deliver their best work, AnnAik is committed to offer equal opportunities, staff benefits and career development for all persons and genders. The Group does this to attract and retain good people in our Company.

Diversity and Equal Opportunities

AnnAik is committed to ensure equality of opportunities, which means treating people fairly and without bias. Discrimination due to gender, age, racial, religious, social class or nationality is not tolerated in our workplace. We recruit individuals with the necessary competencies, experience and qualifications without any discrimination.

As at 31 December 2022 and 31 December 2023, AnnAik has 52 and 46 employees respectively.⁽¹⁾

Item	Composition	2022				2023							
		Male		Female		Male		Female		Total			
		No	%	No	%	No	%	No	%	No	%		
Age	Under 30	2	7	6	26	8	15	1	4	6	27	7	15
	31 ~ 40	2	7	7	30	9	17	2	8	5	23	7	15
	41 ~ 50	9	31	5	22	14	27	9	38	5	23	14	31
	Above 50	16	55	5	22	21	41	12	50	6	27	18	39
	Sub total	29	100	23	100	52	100	24	100	22	100	46	100
Highest Educational Background	Primary School	3	11	1	4	4	8	3	12	1	5	4	9
	Secondary School	11	38	11	48	22	42	12	50	11	50	23	50
	College	5	17	4	17	9	17	4	17	4	18	8	17
	Degree	7	24	7	31	14	27	4	17	6	27	10	22
	Master	1	3	0	0	1	2	1	4	0	0	1	2
	PhD	2	7	0	0	2	4	0	0	0	0	0	0
	Sub total	29	100	23	100	52	100	24	100	22	100	46	100
Employment Contract	Permanent	29	100	23	100	52	100	24	100	22	100	46	100
Gender Diversity (%)								Male		Female			
FY2023								52		48			
FY2022								56		44			

Note 1: Only Singapore division employees have been included in this report

Sustainability Report

● Social

Employment

Benefits for Full Time Employees

AnnAik provides benefits to full-time employees in the form of medical, accidental, life, hospitalisation, travelling insurance, dental, and training course. This reward scheme contributes a win-win situation for both our organisation and our employees.

In addition to annual leave, the Group also provides childcare leave for employees with children. During the reporting period, 3 male employees and 6 female employees have taken childcare leave (FY2022: 4 male employees and 4 female employees). The Group had a return-to-work rate of 100% and all these employees remain employed with the Group. The Group will continually work toward building a pro-parent workplace by enhancing our Group welfare practices and culture.

Training and Education

AnnAik recognises the need to continuously upgrade our employees' skillsets to compete in this competitive business environment.

Every year, AnnAik organises several training courses which include the new employee induction programme, professional skills refresher and advancement programme and supporting qualification training and technical management education. These programmes are implemented through lectures, knowledge exchange, conferences, external training and so on.

External training or programmes encompass, but are not limited to the following:

- 1 (SMEICC) CONFERENCE SERIES 2023
- 2 17TH SING-ZHEJIANG ECON & TRADE COUNCIL
- 3 2023 SHANXI BRAND SILK ROAD JOURNEY
- 4 2023 ZHEJIANG ENTREPRENEURS SUMMIT
- 5 A PRACTICAL GUIDE TO USE LINKEDIN TO ENHANCE YOUR PROFESSIONAL PROFILE
- 6 ARE CFOS UNCOMFORTABLE WITH DIGITAL & TECH BUDGETS
- 7 BEYOND FINANCE AND GENERATIVE AI
- 8 BUSINESS ETHICS – REAL WORLD APPLICATIONS
- 9 CHATGPT – INTRODUCTION
- 10 CHINA (GUANGDONG)-SIN ECON & TRADE CORPN CONF
- 11 CHINA ASEAN BUSINESS LEADERS SUMMIT
- 12 CLIMATE REPORTING FUNDAMENTALS FOR LISTED COMPANIES
- 13 CPA LEARNING ONLINE – APR 23
- 14 DIALOGUE WITH MINISTER FOR TRADE & INDUSTRIES
- 15 DIALOGUE WITH MINISTER OF SUSTAINABILITY
- 16 FUJIAN-SIN ECON TRADE & FINANCIAL COOPERATION
- 17 FUTURECHINA GLOBAL FORUM 2023/AWARD DINNER
- 18 GOING FOR GOLD: ACHIEVING BUSINESS AGILITY
- 19 GOING GREEN FROM THE LENSES OF SINGAPORE AND MALAYSIA
- 20 GOODS AND SERVICES TAX WORKSHOP
- 21 HOW BUSINESS CAN OPTIMISE ITS ENERGY CONSUMPTION AND SUPPORT SUSTAINABILITY OBJECTIVES
- 22 HOW DOES DEVELOPING TECH ADD VALUE TO FINANCE PROFESSIONALS

Sustainability Report

Social

23	INDONESIA ECONOMIC OUTLOOK & ELECTION CYCLE
24	LED 9: ESG ESSENTIALS
25	MEETING WITH ESG
26	MY FIRM, MY FUTURE – VIRTUAL MASTERCLASS SERIES – MODULE 1 – CULTURE & EMPLOYER BRAND
27	MY FIRM, MY FUTURE – VIRTUAL MASTERCLASS SERIES – MODULE 3 – TEAM DEVELOPMENT STRATEGY
28	MY FIRM.MY FUTURE. MODULE ONE – CULTURE AND EMPLOYER BRAND
29	MY FIRM.MY FUTURE. MODULE THREE – TEAM DEVELOPMENT STRATEGY
30	MY FIRM.MY FUTURE. MODULE TWO – PROCESS FOR YOUR PEOPLE
31	POWERING UP YOUR RISK AND COMPLIANCE MANAGEMENT WITH DATA AND ANALYTICS
32	RIDING THE WAVE OF AI
33	SEIZING INDONESIA'S POTENTIAL: STRATEGIES FOR GROWTH AND COMPLIANCE
34	SHENZHEN LUOHU DISTRICT'S VISIT
35	SINGAPORE BUDGET 2023
36	SINGAPORE-CHINA TRADE & INVESTMENT FORUM 2023
37	SIN-GUANGDONG COLLABORATION COUNCIL
38	SPECIALIST DIPLOMA IN CLOUD COMPUTING (ARCHITECTURE)
39	TECHNICAL UPDATE ON IFRS 2023
40	UNDERSTANDING ESG DATA
41	WHY CORPORATE FINANCE NEEDS TO UNDERSTAND ESG

Training Hours

Category	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
Number of training days by each headcount (days)	1.5	2	2	3

We have shown an improvement from 1.5 days in FY2022 to 2 days in FY2023 and the target was met.

Protecting Human Rights

We uphold nationally and internationally accepted human rights principles and values. All employees are required to abide by our Code of Conduct that bars discrimination, child labour and forced labour. Our HR policy prohibits any discrimination based on nationality, age, race, religion, language, gender or marital status. In our assessment, the risk of child labour and forced labour is extremely low in our own operations. We do not assess these risks in our supply chain as we do not have much control or influence in those areas. We are, however, committed to staying vigilant when dealing with suppliers, and we operate a performance rating system whereby our suppliers are periodically assessed. AnnAik sets out requirements for all employers in Singapore to consider the workforce fairly for job opportunities and states that employers should not discriminate on characteristics that are not related to the job, such as age, gender, nationality or race.

There were no instances of discrimination, child labour or forced labour in FY2022 and FY2023.

Sustainability Report

Social

Upholding Freedom of Association

We respect our employees' rights to freedom of participating in association and collective bargaining agreements in accordance with local laws. Currently, our employees are not part of any labour union.

Occupational Health and Safety

We prioritise the importance of a safe and healthy work environment to control potential hazards in the workplace. Due to the business nature, it is of utmost importance to ensure a safe and healthy environment for all our employees as well as external parties who come to our facilities. We safeguard our employee's health and safety by following key Workplace Safety and Health Policy established that comply with legal and regulatory requirements and integrated to adopt benchmark practices based on MOM/WHSHC industry guidelines where practicable.

Our safety and health policies, practices and performance are regularly reviewed by the management.

In FY2022 and FY2023, no injury case was reported at the premises, and there was no fatal incident. Management takes an extremely serious view of workplace safety, and all accidents are thoroughly investigated; where appropriate. Our goal is to maintain a zero-fatality incident rate.

Category	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
Number of injuries	-	-	-	-
Lost day rate ¹	-	-	-	-
Work related fatalities	-	-	-	-

¹ Lost day rate refers to the number of man-days lost for every million hours worked.

Local Communities

As a responsible corporate citizen, we find it important to support local community causes. We have contributed approximately \$54,000 to various beneficiaries and charity drives in FY2023.

Sustainability Report

● Environmental

Environmental Protection

AnnAik conducts business in a manner that respects the environment by minimising the Group's carbon footprint, reducing its consumption of resources and expanding its recycling initiatives. The Management has adopted one of the best practices by supporting vendors that are ecofriendly and not purely based on initiative that generate savings to the Group.

We have implemented a precautionary approach to manage our environmental impact proactively. Our environmental focus is on reducing our carbon emissions and improving resource efficiency and recycling. We make efforts to reduce our energy and paper usage within our Singapore operations. In line with our sustainability commitment, we have established environmental targets and carefully monitor our performance against these targets. Management reviews monthly performance reports, and corrective actions are implemented where required. Our employees make important contributions to our goals of reducing the use of energy and paper. An annual refresher training enables our employees to understand our environmental commitment and learn their role in achieving our targets.

Energy Consumption and Emissions Reduction

The Group continues to implement various practices to reduce energy consumption in the Singapore office and warehouse as below. Old electronic equipment are replaced with equipment that are energy efficient and environmentally friendly. All staff are reminded to switch off lighting, air conditioner and other electrical appliances when not in use to reduce energy consumption. A dedicated team of energy champions conducts checks to ensure machines and office printers are switched off to reduce energy wastage. In the future, we are looking to implement additional initiatives to minimise our energy consumption. We are on track to install solar photovoltaic (PV) systems on the roof of the office building and the warehouse building located at 52 Tuas Ave 9 and anticipate its completion by April 2024. As the installation works are currently underway, the current installed capacity will produce approximately 360.76 kilowatt peak power ("kwp") a year and can cater to 100% of the Group's electricity usage, while the remaining can be sold back to the grid as a substantial green source.

AnnAik's energy consumption and GHG Emissions for FY2022 and FY2023 are as follows:

	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
To maintain our fuel consumption (Litres)	NA*	NA*	16,000	16,000
To maintain our electricity consumption (kWh)	140,754	140,000	142,568	140,000

	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
Scope 1 GHG Emissions (kgCO ₂) – direct	NA*	NA*	36,960	36,000
Scope 2 GHG Emissions (kgCO ₂) – indirect	57,104	57,104	57,840	56,798

The Company has not met the target set for its electricity consumption for FY2023 mainly due to longer operational hours to fulfill customer orders with shorter lead time.

* Information was only available from the year 2023.

Sustainability Report

● Environmental

Reduce, Reuse and Recycle

In order to achieve the goal of environmental continuous improvement, AnnAik's commitments are as follows:

1. Reduce paper usage by reusing and recycling papers which were printed on one-side for internal purposes, using two-sided printing option to print documents, implementing paperless working environment e.g. e-invoices and e-statements to customer.

Category	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
Usage of A4 paper (pieces)	150,000	150,000	180,000	150,000

The Company did not meet its FY2023 target. While the Company usually opts for recycled paper in its printing practices, due to a reduced volume of recycled paper available during the reporting period, the Company consumed more A4 paper for printing of documents.

- 2.

Category	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
Printing of calendar (copies)	600	550	900	600

The Company was unable to meet its FY2023 target due to an increase of printing of calendar (featuring the logo and branding elements) for its business partners to enhance its brand visibility and outreach during the financial year.

Other environmental conservation efforts

Company has migrated most of our servers to cloud computing to reduce emissions and only print its annual report and circular upon shareholder's request, as part of our environmental conservation efforts, as Company recognises that urgent, global action is required to curb the rise in temperatures and mitigate the risks of climate changes. The electronic edition of the annual report is available at www.annaik.com and on SGXNet.



Sustainability Report

● Governance

Risk Management

The Group ensures that rigorous procedures are in place to adequately and effectively manage risks faced by its business divisions during the course of daily operations and long-term business planning. This is done by holding Senior Management meetings on a regular basis.

On a quarterly basis, the Senior Management will provide updates to the Board in areas of concern, if any, that may arise in relation to the Group's key risk factors (including climate-related risks).

In addition, the Group has also requested its internal auditors, to take such risk factors into consideration when drawing up the annual internal audit plan, so as to review and monitor the identified risk areas. In the event that the Group intends to enter into any new markets, business venture or business sector, the Group may also appoint external professional parties to review or advise on additional areas of risk factors to consider in connection with such forays.

In order to ensure that it stays current and in compliance with applicable and relevant laws and standards and/or requirements issued by regulators, the Group tracks regulatory developments on a regular basis.

The Group's Company Secretary, Corporate Lawyer, Sponsor and Auditors advise the Board on changes in legal and regulatory issues while its external auditors provide changes in accounting standards to management for their consideration. The Group has engaged its external auditors to conduct at least one briefing per annum for the Board on changes in accounting standards.

To better manage compliance risk oversight, the Audit Committee has requested its internal auditors to assist the Management in evaluating and assessing the effectiveness of internal controls implemented by the Company to identify risks of non-compliance in various areas. As part of its human resource practices, the Group ensures employee benefits are in place and healthcare insurance is available for eligible employees.

Overall compensation and benefits structure also follows closely to the basic requirements of the Ministry of Manpower ("MOM"), and the Group keeps itself abreast through regular updates from MOM.

Whistle Blowing Policy

The Company has implemented relevant procedures, as approved by the Audit Committee and adopted by the Board, for the purposes of handling complaints, concerns or issues relating to activities or affairs of the business, customers, suppliers, partners or associates, activities or affairs of the Group or conduct of any employee, officer or Management of the Group. Staff of the Group has access to the Audit Committee Chairman and may, in confidence and on an anonymous basis, raise concerns about possible improprieties in any such corporate matters by sending an email to john.lim@cpa-partnership.com.sg or a letter in writing to the Audit Committee Chairman.

Anti-Corruption

We adopt a zero-tolerance policy towards fraud, corruption and bribery. Any breach of the policy is deemed a material risk to our business operations. Our risk management approach to anti-corruption helps us maintain our integrity, governance, and responsible business practices. This management approach was developed in compliance with the Singapore Prevention of Corruption Act, and is outlined in our Employee Code of Conduct, which all employees are required to abide by.

The anti-corruption policy prohibits the following activities:

- Use of Company funds or assets for any unlawful purpose or to influence others through bribes;
- Make facilitation or 'grease payments' which are intended to service or speed up routine legal government actions such as issuing permits or releasing goods held in customs; and
- Receive/give suppliers rewards, gifts or favours bestowed or promised with the view of perverting the judgment or corrupting the conduct of a person in a position of trust.

Sustainability Report

● Governance

Report on the number of incidents of corruption and actions taken:

Category	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
No of cases	–	–	–	–

Zero cases reported on the number of incidents of corruption and action taken for FY2022 and FY2023.

Supply Chain Management

Our major suppliers are the manufacturers of our Stainless Steel Distribution Business. Our suppliers are selected based on, amongst others, experience, expertise, product quality and past performances. We have a Procurement Policy and ISO standard in place which provides procurement guidelines such as selection and evaluation of suppliers as well as ensuring adequate diversification of suppliers which results in cost-effectiveness and prevention of operational disruptions.

We generally do not enter into long term exclusive agreements with any of our suppliers as we value the flexibility to evaluate and select our suppliers in accordance with our aforementioned criteria.

Our Directors believe that our business and profitability are not materially dependent on any industrial, commercial or financial contract with any supplier and will not be materially affected by the loss of any single supplier.

Operational Risk

Operational risks are managed on an ongoing basis. As the Group's business is generally space-intensive by nature, the Group's supply chain management is handled by the adequate sourcing of accredited suppliers as well as regular and effective management planning of its inventory stock and costs.

As part of its human resource efforts to add quality people to its workforce and retain its valued employees, the Group has implemented training and developed rigorous health and safety management programmes. The Group also provides highly incentivised working benefits which include insurance, medical and dental coverage.

The Group also has a robust Sales, Marketing and Communication strategy in place to ensure its message to stakeholders are aligned and it delivers on its sales targets. To achieve this, it has a sales strategy based on regular management review and communication with customers.

The Group monitors customer satisfaction upon conclusion of projects. The Group actively seeks to reduce its operational impact on the environment, and has stringent corporate responsibility and sustainability practices to manage its industrial waste by recycling and reusing where possible and engaging licensed waste collectors. To safeguard its legal interests, the Group hires professionals such as lawyers to provide professional advice in relation to operational risks.

For continuous operations, the Group's IT infrastructure is handled by IT professionals to ensure system reliability compliant with stringent security measures to prevent information leaks or losses. In addition, the Group's inventories are protected by adequate insurance covering all industrial risks in addition to its utilisation of on-site security devices.

Financial Risk

To mitigate its liquidity risks, the Group employs a tight capital management system to ensure it has sufficient working capital to meet debt obligations and pays close attention to critical financial ratios such as inventory turnover, accounts receivable/payable, gearing and current ratio for the early detection of red flags. Information on the Group's Key Performance Indicators and ratios are reported quarterly to the Board.

To remain resilient amidst changing and increasingly diverse customer demands and an uncertain global economy, the Group constantly keeps itself abreast of market conditions, and stays close to its customers through regular visits and tracking of their purchasing patterns. This is to ensure the right stock inventories are kept and is relevant to its existing and potential customers.

Sustainability Report

● Governance

The Group also has a stringent credit policy that covers credit evaluation, approval and monitoring, as a safeguard to minimise all credit risks. In anticipation of unforeseen financial losses, the Group is insured in relation to the following: workmen compensation; product liability; directors and executive officers' liability; industrial risks; marine insurance; vehicles insurance; trade credit insurance; as well as travel, health and personal accidents insurance for the Group.

Report on the number of incidents of regulatory, non-compliance cases and significant reportable risk breaches:

Category	FY2022 (Actual)	FY2023 (Target)	FY2023 (Actual)	FY2024 (Target)
No of cases	-	-	-	-

Zero cases reported on the number of incidents of regulatory, non-compliance cases and significant reportable risk breaches cases.

Remuneration Matters

Linking sustainability performance to executive remuneration is a strategy that may be adopted to align the interests of executives with the long-term sustainability goals of the organization. This approach helps ensure that our executives are incentivized to make decisions and implement practices that contribute to ESG objectives.

The Group seeks to create a strong incentive structure that motivates leaders to integrate sustainability into their decision-making process, fostering a more responsible and resilient business model. This approach aligns with the growing recognition of the importance of long-term business sustainability and stakeholder value creation.



Sustainability Report

● Target

For the Sustainability Factors identified, we have set targets for FY2024 as follows:

Sustainability Factor	Target for FY2024
Economic	
Economic performance	Maintain or improve economic value generated subject to market conditions
Social	
Human Rights	Maintain zero record of child labour and forced labour
Employment	Maintain the ratio for male and female Maintain the ratio based on age Maintain zero record of discrimination
Training & Education	Improve training hours for employee
Occupational Health and Safety	Maintain zero work-related injuries and fatalities
Environmental	
Energy efficiency	Maintain or reduce energy consumption and to use more renewable source of electricity to reduce carbon footprint
Recycle	Reduce, reuse and recycle paper
Emissions reduction	Reduce carbon emissions
Governance	
Anti-corruption	Maintain zero incidents of fraud and corruption Maintain zero incidents of non-compliance with relevant anti-corruption laws and regulations



Sustainability Report

● GRI Index

GRI Standard Disclosure Number	Title Disclosure	Page/Reference
GRI 2: General Disclosures 2021		
GRI 2-1	Organisational details	13
GRI 2-2	Entities included in the organisation's sustainability reporting	11
GRI 2-3	Reporting period, frequency and contact point	11
GRI 2-4	Restatements of information	21
GRI 2-5	External assurance	11
GRI 2-6	Activities, value chain and other business relationships	29
GRI 2-7	Employees	22
GRI 2-8	Workers who are not employees	None applicable
GRI 2-9	Governance structure and composition	15
GRI 2-10	Nomination and selection of the highest governance body	44, 45
GRI 2-11	Chair of the highest governance body	42-43
GRI 2-12	Role of the highest governance body in overseeing the management	12, 36
GRI 2-13	Delegation of responsibility for managing impacts	15
GRI 2-14	Role of the highest governance body in sustainability reporting	12, 15
GRI 2-15	Conflicts of interest	14,37
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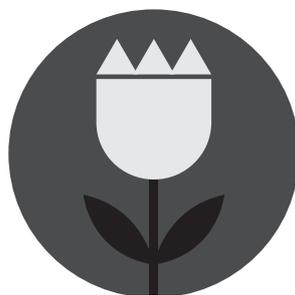
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TCFD Thematic Areas	Recommended Disclosures	Reference and Remarks
Governance		
Disclose the organisation's governance around climate-related risks and opportunities	<p>a) Describe the board's oversight of climate related risks and opportunities</p> <p>b) Describe management's role in assessing and managing climate-related risks and opportunities</p>	<ul style="list-style-type: none"> • SR: Board Statement • SR: Governance Structure <p>SR: Governance Structure</p>
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	We are carrying out a preliminary risk assessment of how climate change will affect our operations and will present our strategies and plans in our next Sustainability Report.
Risk Management		
Disclose how the organisation identifies, assesses, and manages climate-related risks	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks</p> <p>b) Describe the organisation's processes for managing climate-related risks</p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management</p>	We are carrying out a preliminary risk assessment of how climate change will affect our operations and will present our risk management around climate-related risks and opportunities in our next Sustainability Report.
Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</p> <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>We are carrying out a preliminary risk assessment of how climate change will affect our operations and will present our metrics used to assess climate-related risks and opportunities.</p> <p>SR: Environmental – Energy Consumption and Emissions Reduction (Scope 1 and 2 GHG emissions)</p> <p>We will review and develop and report on Scope 3 GHG emissions, as and when appropriate.</p> <p>We are carrying out a preliminary risk assessment of how climate change will affect our operations and will set realistic targets to manage relevant climate-related risks and opportunities in our next Sustainability Report.</p>

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Corporate Governance Report

The Board of Directors (the “**Board**”) of AnnAik Limited (the “**Company**”) is committed to place high standards of corporate governance and transparency within the Company and its subsidiaries (collectively referred to as the “**Group**”). The Board believes that good corporate governance includes an ethical environment and enhances the interest of all shareholders. This includes establishing an appropriate culture, values and ethical standards of conduct at all levels of the Company.

This corporate governance report (the “**Report**”) outlines the corporate governance framework and practices of the Company with specific reference made to the principles and guidelines of the Code of Corporate Governance 2018 (last amended on 11 January 2023) (the “**Code**”) and the accompanying Practice Guidance and other applicable laws, rules and regulations, including the Catalist Rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (“**Catalist Rules**”).

The Board confirms that for the financial year ended 31 December 2023 (“**FY2023**”), the Company has adhered to the principles and guidelines as outlined in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

BOARD MATTERS

The Board’s Conduct of Affairs

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

The Company is headed by an effective Board which comprises the Executive Chairman, two Executive Directors and three Independent Directors. Together, the Directors command a wide range of business, legal and financial experience that collectively contribute to the success of the Group. The Board oversees the business activities, overall management, formulate strategic direction and performance of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders and stakeholders.

Apart from its statutory responsibilities, the Board performs the following roles and functions:

- (a) review and approve corporate strategies, financial objectives and directions of the Group;
- (b) establish goals for management and monitor 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 material 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 the Board’s approval as specified under the Company’s internal policies and procedures. All matters that require the Board’s approval has been clearly communicated to the Management in writing by circulating the resolutions or recording in the minutes of the board meeting.

While matters relating to the Company’s objectives, strategies and policies require the Board’s direction and approval, the Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Corporate Governance Report

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company and hold the Management accountable for performance. The Board puts in place a code of conduct and ethics, sets the appropriate tone and desired organisational culture, and ensures proper accountability within the Company. The Board has set up procedures for dealing with conflicts of interest. Where any Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict.

Board Processes

The Company has scheduled regular meetings for FY2023. Ad-hoc meetings are convened when circumstances require. The Constitution of the Company (the "**Constitution**") allows a board meeting to be conducted by way of a telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other. 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.

To ensure that specific issues are subject to considerations and review before the Board makes its decisions, the Board is supported by the three Board Committees, namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), responsible for making recommendations to the Board. These Board Committees operate within clearly written terms of reference setting out their compositions, authorities and duties. The Chairman of each of the Board Committee reports to the Board on the outcome of the Board Committees' meetings. The terms of reference play an important role in ensuring good corporate governance in the Company and within the Group and will be reviewed by the respective Board Committees on a regular basis to enhance the effectiveness of these Board Committees. The minutes of all Board and Board Committees' meetings, which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meetings, are circulated to the Board and Board Committees. The roles and responsibilities of these Board Committees are provided for in the latter sections of this Report. The Board accepts that while the various Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

During FY2023, the Board held a total of four meetings to review the Group's business operations and financial performance. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for meetings is prepared in consultation with the Executive Chairman, the Executive Directors and/or the Chairman of the Board Committees. The agenda and documents are circulated in advance of the scheduled meetings.

To assist the Board in fulfilling its responsibilities, 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 prior to each board meeting. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant developments or events relating to the Group on an ongoing basis.

The board papers are sent to Directors in advance 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 and her representatives who provide the Directors with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST at the Company's expense, where necessary. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

The Company Secretary and her representatives attend all Board and Board Committee meetings, and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The Company Secretary and her representatives also ensure that the requirements of the Companies Act and all other rules and regulations of the SGX-ST are complied. During FY2023, the Directors attended seminars that they find useful to better perform their duties.

Corporate Governance Report

The Board exercises its discretion to seek independent professional advice, where necessary, in the furtherance of their duties and at the Company's expense.

The number of meetings and the participation of each individual Directors at the meetings held in FY2023 are disclosed in the table reflected below:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Ow Chin Seng	4	4	2	2*	1	1	1	1*	1	1
Mr Ow Eei Phurn, Benedict	4	4	2	2*	1	–	1	–	1	1
Mr Ng Kim Keang	4	4	2	2*	1	–	1	1*	1	–
Mr Lim Geok Peng	4	4	2	2	1	1	1	1	1	1
Ms Tan Poh Hong	4	4	2	2	1	1	1	1	1	1
Mr Gan Thiam Poh	4	3	2	2	1	1	1	1	1	1

Note:

* Attendance by invitation

The Directors were appointed based on their experience, qualifications, stature and potential contribution to the proper guidance of the Group and its businesses. Each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. While some of the current Board members are on multiple boards, the NC is satisfied that currently the Directors have been able to devote sufficient time and attention to the affairs of the Group and that they are able to satisfy their duties as Directors to the Company.

Director Orientation and Training

The Directors are provided with extensive background information about the Group's history, mission, values and business operations with their roles as Executive and Independent Directors. The Directors have the opportunity to visit the Group's operations and facilities and meet with the Management for further explanation, briefings or discussion on key aspects, to gain insight for a better understanding of the Group's business and operations.

The Company will conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. 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. There was no new Director appointed during the financial year.

The aim of the orientation program is to give Directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. The new Director is also informed about matters such as the Code of Dealing in the Company's securities. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such regulatory changes, the Company provides opportunities for ongoing training on Board processes and best practices as well as updates on changes in legislation and financial reporting standard, regulations and guidelines from SGX-ST that affect the Company and/or the Directors in discharging their duties effectively.

Corporate Governance Report

The Directors attend seminars and receive relevant training programmes and courses to keep abreast of current developments and updates on changes in relevant regulations, accounting standards, corporate governance practices and guidelines from the SGX-ST to properly discharge their duties as Directors. In order to keep pace with such regulatory changes, the changes to regulations and accounting standards are monitored closely by the Management. The Company is responsible for arranging and funding the appropriate training and development programmes for the Directors and/or key management personnel of the Company, where relevant.

All Directors of the Company have attended and completed the mandatory training on sustainability matters as prescribed under Rule 720(6) of the Catalist Rules.

The Board as a whole is updated regularly on risk management, corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial standards, so as to enable them to properly discharge their duties as Board or Board Committee members. Our Independent Directors are also engaged full time in their respective professions, keeping themselves updated in their fields of knowledge.

News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority (“ACRA”), which are relevant to the Directors are circulated to the Board. The Company Secretary and her representatives inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. The Company Secretary and her representatives together with the Management also assist the Directors in ensuring the compliance with their obligations under the relevant rules and regulations, and in the Directors’ professional development to ensure that the Directors make informed decisions and discharge their duties and responsibilities. The External Auditors update the AC and the Board on new and revised financial reporting standards annually.

Board Composition and Guidance

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

As at the date of this Report, the Board comprises six Directors, three of whom are independent which is set out as follows:

Name of Director	Designation	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other Listed Companies and other Principal Commitments	Past Directorships in other Listed Companies and other Principal Commitments held over preceding five years
Ow Chin Seng	<ul style="list-style-type: none"> Executive Chairman and Chief Executive Officer Member of Nominating Committee 	31 March 1990	29 April 2022	–	–
Ow Eei Phurn, Benedict	<ul style="list-style-type: none"> Executive Director and Sales Director 	7 May 2021	29 April 2022	–	–
Ng Kim Keang	<ul style="list-style-type: none"> Executive Director and Chief Operating Officer 	3 January 2005	27 April 2023	–	–

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Name of Director	Designation	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other Listed Companies and other Principal Commitments	Past Directorships in other Listed Companies and other Principal Commitments held over preceding five years
Lim Geok Peng	<ul style="list-style-type: none"> • Non-Executive and Lead Independent Director • Chairman of Audit Committee • Member of Nominating Committee and Remuneration Committee 	11 July 2017	29 April 2022	<ul style="list-style-type: none"> • CPA Partnership Pte. Ltd. • CPA John Lim & Co • CPA Advisory LLC • CPA Corporate Service Pte. Ltd. • CPA Boardroom Services Pte. Ltd. • YYC Assurance PAC • Gendiesel Singapore Pte. Ltd. 	<ul style="list-style-type: none"> • PKF-HT Khoo PAC • PKF-ACPA Management Consultants Pte. Ltd. • PKF-CAP Risk Consulting Pte. Ltd. • PKF-CAP Advisory Partners Pte. Ltd. • PKF-Khoo Management Services Pte. Ltd. • PKF-CAP Tax Solutions Pte. Ltd. • PKF-CAP LLP
Tan Poh Hong	<ul style="list-style-type: none"> • Non-Executive and Independent Director • Chairman of Remuneration Committee • Member of Nominating Committee and Audit Committee 	26 July 2018	30 April 2021	<ul style="list-style-type: none"> • APAC Realty Limited • VICOM Ltd • Centurion Corporation Limited • Sheng Siong Group Ltd. • OTS Holdings Limited 	<ul style="list-style-type: none"> • Barramundi Group Ltd.
Gan Thiam Poh	<ul style="list-style-type: none"> • Non-Executive and Independent Director • Chairman of Nominating Committee • Member of Remuneration Committee and Audit Committee 	30 September 2019	27 April 2023	–	–

Profiles of the Directors are found in the "Board of Directors" section of the Annual Report.

The Company maintains a strong and independent element on the Board with the Independent Directors constituting half of the Board. The Board has adopted the criteria on the Independent Director given in Provision 2.1 of the Code and Rule 406(3)(d) of the Catalist Rules. The Independent Directors have confirmed that they do not have any relationship with other Directors, the Company, its related corporations, its substantial shareholders or its officers that could, interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company, and they are able to exercise objective judgment on corporate affairs independently from the Management and its substantial shareholders. The Independent Directors and their immediate family members are not and have not been employed by the Company or any of its related corporations in the current or any of the past three financial years. None of the Independent Directors have served on the Board beyond nine years from the date of his/her appointment.

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As the Chairman is not an Independent Director, half of the Board is made up of Independent Directors. Notwithstanding the Independent Directors and Non-Executive Directors do not make up a majority of the Board as set out in Provisions 2.2 and 2.3 of the Code respectively, the Board and the NC are satisfied that the current Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs. The Independent Directors provide a check and balance to the Board as they are not involved in the day-to-day operations of the Company and the Group. The Board has a Lead Independent Director who plays an additional facilitative role within the Board, and where necessary, facilitates communication between the Board and shareholders or other stakeholders of the Company.

Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. There is no individual or small group of individuals that dominate the Board's decision-making process and matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. Nevertheless, the NC will endeavor to comply with Provisions 2.2 and 2.3 of the Code by assessing the board composition from time to time and make appropriate recommendations to the Board.

The Board has adopted the Code's criteria of an Independent Director in its review that all Independent Directors have satisfied the criteria of independence. 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 half of the Board composition which provides a strong independent element on the Board; and
- (b) the composition of Directors as a whole provides core competencies necessary to meet the Group's requirements with an appropriate balance and mix of skills, experiences, knowledge and other aspects of diversity such as gender and age, 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 experiences are extensive and complementary. Information on the background of the Independent Directors are set out on pages 4 to 5 of this Annual Report.

The independence of each Independent Director is reviewed annually by the NC and the Board in accordance with the Code's definition of independence. Each Independent Director is required to complete a 'Confirmation of Independence' form to confirm his/her independence. The form, which was drawn up based on the definitions and guidelines set forth in the Code and the NC Guidebook issued by the Singapore Institute of Directors, requires each Director to assess whether he/she considers himself/herself independent despite not having any of the relationships defined in the Code. The NC has reviewed the forms completed by each Independent Director and is satisfied that the present size of the Board is effective for the decision making. The composition of the Board is reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board.

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

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All appointments and re-elections of Directors are reviewed and recommended by the NC to the Board. The Company would conduct a background check on the new candidate and the new candidate would provide the relevant declarations to the NC and Board for review. The Board has adopted a Board Diversity Policy on 15 December 2022 to assist the NC and the Board in identifying prospective candidates for Directorship that meet the criteria as determined by the NC and that support the diversity's objectives. The Board Diversity Policy promotes the diversity among the Directors in order to improve performance. Specifically, under the Board Diversity Policy, diversity has been considered from a wide range of aspects, including but not limited to skills, business and industry experience, gender, age, ethnicity, geographic background, length of service, and other distinctive qualities of the board members. The Company recognises that an effective board requires Directors to possess not only integrity, commitment, relevant experiences, qualifications and skills in carrying out their duties effectively but also includes diverse background towards promoting good corporate governance. The NC will discuss and agree annually on the relevant measurable objectives for promoting and achieving diversity on the Board and make recommendations for consideration and approval by the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The NC will review and modify this Board Diversity Policy periodically, as appropriate, to ensure effective governance of the Company. As of the date of the Annual Report, there is one female Independent Director on its Board and hence, met its target for gender diversity. Save for gender diversity, the Company does not set specific target for other aspect of diversity. Nonetheless, if a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director, the NC will recommend the Board consider the appointment of a new Director that has the required skillset, expertise, experience, and knowledge as and when it deems necessary. The final decision on the selection of directors will be based on merit against the objective criteria set and after giving due regard to the benefits of diversity on the Board. The Board is of the view that the current members of the Board, collectively as a group, provide an appropriate mix and balance of diversity of skills, experience, independence, gender and age.

Although all the Directors have an equal responsibility for the Group's operations, the Independent Directors play an important role (i) in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and rigorously examined and developed by taking into account the long-term interests of the shareholders and (ii) in reviewing the performance of Management in meeting agreed goals and objectives and monitoring the performance reporting. During the financial year, the Independent Directors met once, without the presence of Management in order to facilitate a more effective check on Management and feedback is thereafter provided to the Executive Chairman, Executive Directors and Management.

To-date, none of the Independent Directors of the Company have been appointed as a Director of the Company's principal subsidiaries, in Singapore or overseas.

Chairman and Chief Executive Officer

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

The roles of Chairman and Chief Executive Officer ("CEO") are assumed by Mr Ow Chin Seng ("Mr Ow"). As the CEO, Mr Ow is responsible for day-to-day operations of the Group. He plays an instrumental role in charting the direction and strategic development of the Group and formulates business strategies and the development of the Group.

The Board establishes and sets out the division of responsibilities between the Chairman and CEO. As the Executive Chairman, Mr Ow leads the Board and is responsible for the effectiveness of the Board including:

- scheduling of meetings (with the assistance of the Company Secretary and her representatives) to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- setting the meeting agenda of the Board;
- ensuring that Board meetings are held, when necessary;
- facilitating contributions from the Independent Directors and encouraging constructive relationships between the Directors;

Corporate Governance Report

- exercising control over the quality, quantity and timely flow of information between the Management and the Board;
- ensuring and fostering constructive and effective communication with shareholders;
- promoting a culture of openness and debate at the Board; and
- promoting high standards of corporate governance with full support from the Directors and Management.

As the CEO, Mr Ow is responsible for the effectiveness of the Group including:

- day-to-day management of the business;
- setting business directions and ensuring efficiency of the Group;
- formulating and overseeing the execution of the Group's corporate and business strategies set out by the Board; and
- ensuring that the Directors are kept updated and informed of the Group's business.

The Board noted that Provision 3.1 of the Code requires the Chairman and the CEO to be separate persons in order to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. In view of the recommendation of the Code, Mr Ow Eei Meng, Benjamin was appointed as the Deputy CEO of the Company and its subsidiaries to assist the CEO together with Mr Ng Kim Keang, the Chief Operating Officer ("**COO**") of the Company to run the overall day-to-day operations of the Group. Currently, the function of the Chief Financial Officer is subsumed by the COO of the Company. The Independent Directors currently form half of the Board and exercise objective judgement on corporate matters impartially, thus ensuring a balance of power and authority. Although the roles and responsibilities of both the Chairman and CEO are vested in Mr Ow, major decisions are made in consultation with the Board and the Board is of the opinion that the process of decision making by the Board has a strong independent element and provides for collective decisions without any individual or small group of individuals dominating the Board's decision making.

As the Chairman is not independent, in line with the recommendation of Provision 3.3 of the Code, Mr Lim Geok Peng ("**Mr Lim**") had been appointed as the Lead Independent Director of the Company to lead the meetings and avail to shareholders where they have concerns at email address john.lim@cpa-partnership.com.sg and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

The Independent Directors, led by Mr Lim meet at least once annually without the presence of the Management to discuss matters of significance, which are thereon reported to the Chairman accordingly. Hence, the Board believes that notwithstanding the Chairman and CEO are the same person, the current composition of the Board is able to make objective and prudent judgement on the Group's corporate affairs. Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the relevant Board Committee. Taking into account the foregoing and the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that it is presently not necessary to separate the roles of the Chairman and with the responsibilities of the CEO as set out in Provision 3.1 of the Code, and there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and are based on collective decisions without any individual exercising any considerable concentration of power or influence.

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Board Membership

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

As at the date of this Report, the Board established the NC which comprises four Directors, a majority of whom, including the NC Chairman, are Independent Directors. The NC is chaired by an Independent Director, Mr Gan Thiam Poh. The NC members are Mr Lim (Lead Independent Director), Ms Tan Poh Hong and Mr Ow. The NC Chairman has no relationship (direct or indirect) with the Company, its related corporations, its substantial shareholders or its officer and is not directly associated with the substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgement in the best interest of the Company.

The NC is regulated by its terms of reference and its key responsibilities include:

- (a) reviewing, assessing and recommending to the Board of all board appointments, re-appointments and nomination of Directors (including Alternate Directors, if any), having regard to their contributions and performances 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. The NC shall make recommendations to the Board with regards to any adjustments that are deemed necessary;
- (d) deciding whether or not a Director is able to and has been adequately carrying out duties as a Director;
- (e) deciding the manner and criteria for evaluation of the performance of the Board, its Board Committees and individual Directors in which their performance may be evaluated and propose objective performance criteria for the Board's approval;
- (f) reviewing the training and professional development programmes for the Board and its Directors; and
- (g) making recommendations to the Board on the review of succession plans for all Directors, in particular the appointment and/or replacement of the Chairman, CEO and the key management personnel.

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In accordance to Regulation 121 of the Constitution, one-third of the Directors are required to retire and submit themselves for re-election by shareholders at each Annual General Meeting ("AGM"). In addition, Regulation 125 of the Constitution provides that every new Director must retire and submit themselves for re-election at the next AGM of the Company following his or her appointment during the year. A retiring Director is eligible for re-election at the meeting at which he or she retires.

The NC held one meeting during the financial year. The Independent Directors are required to disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. The NC has reviewed the independence of Mr Lim Geok Peng, Ms Tan Poh Hong and Mr Gan Thiam Poh in accordance with the Code's definition of independence and is satisfied that there are no relationship which would deem any of them not independent.

Currently, the Company does not have any Alternate Director being appointed to the Board.

When new Directors are appointed, the NC also ensures that they are aware of their duties and obligations.

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. The Board also implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole and its Board Committees annually.

Corporate Governance Report

Despite some of the Directors having multiple board representations, the NC has reviewed the directorships of the Directors and is satisfied that these Directors are able to, and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company board representations and other principal commitments of these Directors. Currently, the NC and Board do not limit the maximum number of listed company board representations which any Director may hold as long as each of the board member is able to commit his or her time and attention to the affairs of the Company. The NC and Board believe that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments.

In respect to FY2023, the NC conducts an annual review of the balance, diversity and size of the Board to determine any changes are required in relation to the board composition. Where new Directors are required, the NC will identify, evaluate and select suitable candidates for new directorships. The NC considers factors such as 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. After the Board endorsed the attributes, the NC taps into the resources of the Directors' contacts and/or engages external consultants to source for potential candidates. The NC will review and shortlist candidates and provide a recommendation for Board's approval.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs during the FY2023 and is satisfied that Directors are able to and have adequately carried out his or her duties as Directors of the Company and has contributed to the effectiveness of the Board as a whole and its Board Committees.

With regard to the re-election of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the Constitution of the Company. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and any other factors as may be determined by the NC.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his/her re-nomination as a Director. Pursuant to Regulation 121 of the Constitution, Ms Tan Poh Hong and Mr Ow Eei Phurn, Benedict ("**Mr Benedict Ow**") have been nominated for re-election at the forthcoming AGM. Ms Tan Poh Hong and Mr Benedict Ow have abstained from voting on the resolutions and making recommendations and/or participating in any deliberations in respect of his/her re-nomination as a Director. The details of the Directors seeking for re-election are found in Table A set out on pages 59 to 60 of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its Board Committees and individual Directors.

In line with the principles of good corporate governance, the Board has implemented a process to be carried out by the NC to evaluate the effectiveness of the Board as a whole, its Board Committees and individual Directors annually. The appraisal process focused on a set of objective performance criteria for the board evaluation that includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, board processes, board performance in relation to discharging its principal responsibilities, communication with the key management personnel and standards of conduct of the Directors. This encourages constructive feedback from the Board and leads to enhancing its performance over time.

In assessing the Board's performance as a whole and its Board Committees, both quantitative and qualitative criteria are considered. Such criteria include considerations of the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peer and the achievement of strategic objectives.

Corporate Governance Report

The NC, in considering the re-appointment of any Director, evaluates the performance of the Director. The NC had implemented a process to be carried out by the NC to assess the effectiveness of the Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. The results of the Board and Board Committees' assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken. The NC has full authority to engage an external facilitator to assist the NC to carry out the evaluation process, if the need arises.

Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes recommended by the NC, prior to approval.

Board Committees

Certain functions have been delegated to various Board Committees, namely, the AC, RC and NC. The members of these committees are set out as below:

Nominating Committee

Mr Gan Thiam Poh	(Chairman)
Mr Lim Geok Peng	(Member)
Ms Tan Poh Hong	(Member)
Mr Ow Chin Seng	(Member)

Remuneration Committee

Ms Tan Poh Hong	(Chairman)
Mr Gan Thiam Poh	(Member)
Mr Lim Geok Peng	(Member)

Audit Committee

Mr Lim Geok Peng	(Chairman)
Mr Gan Thiam Poh	(Member)
Ms Tan Poh Hong	(Member)

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

The NC, in considering the re-nomination and re-election of any Director, had considered factors including their performance in the Board as a whole, its Board Committees and individual performance including his/her attendances, preparedness, participations and contributions in the proceedings of the meetings.

The evaluation of board performance is conducted annually to identify areas of improvement and as a form of good board management practice. During the financial year under review, each Director was required to complete the evaluation form and individual Director's assessments adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, Board Committees and each Director's contributions, the last Board of Directors' evaluation was conducted on 29 February 2024 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board. In addition, the NC is also satisfied that sufficient time and attention have been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations.

No external facilitators were used in the assessment of the Board as a whole, its Board Committees and the individual Directors.

Corporate Governance Report

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Group's remuneration policy is to provide remuneration packages at market rates which rewards successful performance and attracts, retains and motivates Directors and key management personnel.

In accordance with Provision 6.2 of the Code, the RC comprises three Directors, all of whom are Non-Executive and Independent Directors. As at the date of this Report, the RC is chaired by an Independent Director, Ms Tan Poh Hong. The RC members are Mr Gan Thiam Poh and Mr Lim Geok Peng. In discharging their duties, the RC members have access to advice from the internal human resources personnel, and if required, advice from external experts.

The RC reviews and recommends to the Board a framework for the 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 RC is regulated by its terms of reference and its key functions include but not limited to:

- (a) annual review of the remuneration of each of the Directors and key management personnel;
- (b) recommendations to the Board on a general framework of remuneration of the Directors and key management personnel;
- (c) determination of specific remuneration packages, including its termination terms, for the Directors and key management personnel; and
- (d) implement and administer share option schemes established from time to time for the Directors and key management personnel.

The RC will recommend to the Board a general framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Executive Director and key management personnel. The recommendations of the RC should be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, warrants, options and benefits-in-kind shall be covered by the RC. The remuneration of employees who are immediate family members of the Directors and substantial shareholders will also be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, increment and/or promotions for these employees. In the event that a member of the RC is related to the employee under review, he or she will abstain from participating in the discussion.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's performance and the performance of the individual Directors and key management personnel.

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Each member of the RC will abstain from reviewing and approving his or her own remuneration, compensation or any form of benefit and the remuneration packages of persons related to him or her. The RC met once during the financial year on 27 February 2023.

The RC, in considering the remuneration of all Directors, has not sought external advice nor appointed remuneration consultants during FY2023 and will continue to monitor the need of engaging external remuneration consultant as and where applicable.

Level and Mix of Remuneration

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

The Executive Directors do not receive Directors' fees except for Mr Ow who sits on the NC as member and is paid in accordance to his service agreement with the Company. In setting the remuneration packages of the Executive Directors, the Company takes into account the remuneration and employment conditions within the same industry and in comparable companies, the performance of the Group, the performance of the individuals and value creation as enumerated under the Code which are aligned with long term interest and risk policies of the Group. For FY2023, the Executive Directors and key management personnel have met the relevant performance conditions.

The Independent Directors do not have service agreements with the Company. The Independent Directors are paid with Directors' fees. The RC has adopted a framework which consists of base fee to remunerate Independent Directors based on their appointments and roles in the respective Board Committees, taking into account the level of contributions and factors such as effort, time spent and the scope of responsibilities and the fees paid by comparable companies. The Directors' fees are reviewed annually to ensure that the Independent Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his or her own remuneration. The Directors' fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the AGM of the Company.

The Executive Directors' and key management personnel's remuneration is set in accordance with a remuneration framework comprising basic salary, variable bonus and benefits-in-kind. The variable component is linked to the Group's performance and individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long-term success of the Group.

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 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 Company remunerates key management personnel based on a balanced assessment of each individual's performance and the performance of the Group, taking into account industry benchmarking without setting excessive bonuses. The remuneration of Directors is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

Corporate Governance Report

Disclosure on Remuneration

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

A breakdown showing the level and mix of remuneration of each Director's and key management personnel (who are not Directors or the CEO) and those who were in service for FY2023 is set out below:

Name of Director	Remuneration paid/payable in FY2023					Breakdown of the Directors' Remuneration				
	Up to S\$250,000	S\$250,001 to S\$500,000	S\$500,001 to S\$750,000	S\$750,001 to S\$1,000,000	S\$1,000,001 to S\$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mr Ow Chin Seng	–	–	–	X	–	59	1	36	4	100
Mr Ow Eei Phurn, Benedict ⁽¹⁾	–	X	–	–	–	54	0	41	5	100
Mr Ng Kim Keang	–	X	–	–	–	62	0	33	5	100
Mr Lim Geok Peng	X	–	–	–	–	0	100	0	0	100
Ms Tan Poh Hong	X	–	–	–	–	0	100	0	0	100
Mr Gan Thiam Poh	X	–	–	–	–	0	100	0	0	100

Note:

(1) Mr Ow Eei Phurn, Benedict is the son of Mr Ow Chin Seng.

Name of key management personnel	Remuneration paid/payable in FY2023					Breakdown of the Executives' Remuneration				
	Up to S\$250,000	S\$250,001 to S\$500,000	S\$500,001 to S\$750,000	S\$750,001 to S\$1,000,000	S\$1,000,001 to S\$1,250,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Dr Yang Guo Ying	X	–	–	–	–	80	0	0	20	100
Mr Lim Khan Choon	X	–	–	–	–	80	0	20	0	100
Mr Tay Chee Seng	X	–	–	–	–	72	0	20	8	100

Name of employees who are substantial shareholders or family members of a Director or substantial shareholders working in AnnAik Group	Remuneration paid/payable in FY2023						Breakdown of the Executives' Remuneration				
	Up to S\$100,000	S\$100,001 to S\$200,000	S\$200,001 to S\$300,000	S\$300,001 to S\$400,000	S\$400,001 to S\$500,000	S\$500,001 to S\$600,000	Salary & CPF %	Fee %	Bonus %	Other Benefits %	Total %
Mdm Low Kheng ⁽¹⁾	–	–	X	–	–	–	74	0	22	4	100
Mr Ow Eei Meng, Benjamin ⁽²⁾	–	–	–	X	–	–	55	0	38	7	100

Notes:

(1) Mdm Low Kheng is the wife of Mr Ow Chin Seng and mother of Mr Ow Eei Phurn, Benedict and Mr Ow Eei Meng, Benjamin.

(2) Mr Ow Eei Meng, Benjamin is the son of Mr Ow Chin Seng and Mdm Low Kheng and brother of Mr Ow Eei Phurn, Benedict.

Save as disclosed, there are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company and whose remuneration exceeds S\$100,000 during the financial year.

The annual aggregate amount of the total remuneration paid to these key management personnel (who are not Directors or the CEO) for FY2023 is approximately S\$1,197,462.

Corporate Governance Report

The annual aggregate amount of the termination, retirement and post-employment benefits granted to Directors and the CEO under their current contracts of employment or appointment (as the case may be) as at FY2023 is approximately S\$1,216,220.

The Company is transparent on its remuneration policies, which has been disclosed not only as part of compliance with Principle 8 but also in respect of Principle 7 of the Code. In particular, the Company has elaborated on the remuneration policy governing the remuneration of the Executive Directors and the factors taken into account for the remuneration of the Independent Directors.

The Board believes that it is not in the best interest of the Group to disclose the exact remuneration paid by the Company and its subsidiaries to each individual Director and the CEO due to the highly competitive environment. Despite this, the Board is of the view that the Company has provided a high level of transparency on remuneration matters, as information on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation had been disclosed. In addition, the remuneration of both Directors and key management personnel have been presented in bands no wider than S\$250,000, together with disclosure of the breakdown of the level and mix of remuneration in the tables above, allowing Shareholders to understand the Company's remuneration policies in relation to its Directors and key management personnel (who are not Directors or the CEO).

Notwithstanding, taking into consideration the Rule 1204(10D) of the Catalist Rules, the Company will disclose the exact amounts with breakdown of remuneration paid by the Company and its subsidiaries to each individual Director and the CEO on a named basis in its annual report in respect of the financial year ending 31 December 2024 onwards.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequate but not excessively remunerated. The RC will consider and deliberate on the performance conditions to which Executive Director's and key management personnel's entitlement to short term and long-term incentive schemes are subject and make the necessary disclosures, if any.

Annual variable bonuses would be linked to achievement of financial and non-financial key performance indicators such as core values, competencies, key result areas, performance rating and potential of the employees (including key management). Long-term incentive plans are conditional upon pre-determined performance targets being met and the long-term incentive plans serve to motivate and reward employees and align their interests to maximise long term shareholders' value. The RC will continue to review the performance share scheme when appropriate. The RC ensures that there is a strong correlation between bonuses payable, and the achievement and performance of the Group and individual staff. The RC also ensures that there is a good balance of short-term and long-term incentive schemes to motivate continuous and sustainable performance.

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 has expired on 17 September 2023, the Company may consider to adopt a new incentive plan/scheme as and when it deems necessary and appropriate. The expiry of the ESOS will not affect any option granted and duly accepted but not yet exercised, whether in whole or in part by the Directors or the employees of the Group. The outstanding share options previously granted of 10,417,000 had expired on 15 October 2023.

The ESOS is administered by the RC which consists of Ms Tan Poh Hong, Mr Gan Thiam Poh and Mr Lim Geok Peng. Further details are found on pages 62 and 63 of this Annual Report.

The RC and the Board have considered and are of the view that the Company's remuneration packages are appropriate and fair.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems on an annual basis. The Board determines the nature and extent of the significant risks which it is willing to take in achieving its strategic objectives. The internal control and risk management functions are performed by the Group's key management personnel and reported to the AC for review.

It should be noted, in the opinion of the Board, that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement 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 noted that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

The Board understands its accountability to the shareholders on the Group's position, performance and progress. The Board reviews and approves the financial results as well as any announcements before its release. The objectives of the presentation of the annual audited financial statements, half-year and full-year financial results to its shareholders are to provide the shareholders with a balanced and understandable assessment and explanation of the Group's financial performance, position and prospects.

The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. The Management understands its role to provide all members of the Board with appropriate management reports in a balanced and understandable assessment of the Group's performance, position and prospects.

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNet, and on the Company's website. The Company's annual report is accessible on the Company's website or SGXNet.

All the Directors and executive officers of the Company have signed undertaking letters pursuant to Rule 720(1) and Appendix 7H of the Catalist Rules.

The Board is updated with significant events that have occurred or have material impact to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

The Group had appointed Messrs Assenture as the independent Internal Auditors of the Group to conduct and review the adequacy and effectiveness of the Group's internal controls on a regular basis in light of the size and complexity of the Group's operations. Relying on the reports from the independent Internal Auditors and management letter issued by the External Auditors (to the extent as required by them to form an audit opinion on the statutory financial statements) and the representation letters from the Management, the AC will carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls and its corresponding mitigation actions from the independent Internal Auditors and External Auditors to further improve the internal controls will be reported to the AC. The AC will follow up on the actions taken by the Management and on the recommendations made by the independent Internal Auditors and External Auditors.

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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 on a regular basis.

For FY2023, the Board has received assurances from:

- (a) the CEO and COO of the Company that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the CEO and key management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems in addressing financial, operational, compliance and information technology risks are operating effectively.

The AC has reviewed, with the assistance of the independent Internal Auditors and External Auditors, the adequacy and effectiveness of the Company's risk management internal controls, addressing financial, operational, compliance and information technology risks.

Based on the results of audit by the independent Internal Auditors and External Auditors, their recommendations, the various management controls and reports put in place, representation letter from the Management and periodic reviews by the Management, the Board with the concurrence of the AC is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls, and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2023. The Board will continue to enhance and improve the existing internal control framework to identify and mitigate these risks from time to time.

Audit Committee

Principle 10: The Board has an AC which discharges its duties objectively.

As at the date of this Report, the AC comprises of three Directors, all of whom are Non-Executive and Independent Directors. The AC is chaired by Mr Lim Geok Peng, the Lead Independent Director. The AC members are Ms Tan Poh Hong and Mr Gan Thiam Poh. All of the members of the AC are knowledgeable and familiar with financial management, 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 functions under its terms of reference which set out its responsibilities as follows:

- review of the audit plans and reports from the External Auditors and independent Internal Auditors;
- review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- review of the co-operation given by the Group's officers to the External Auditors and independent Internal Auditors;
- review of the consolidated financial statements of the Group and the financial statements of the Company to ensure the integrity before their submission to the Board and any announcements relating to the Company's financial performance;
- review of the independence and objectivity of the External Auditors and nomination of the External Auditors for reappointment;
- review of all interested person transactions 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;

Corporate Governance Report

- meet with the External Auditors without the presence of management annually, to discuss any problems and concerns they may have;
- make recommendations to the Board on the proposals to the shareholders on the appointment and removal of External Auditors and independent Internal Auditors;
- review the adequacy, effectiveness, scope and results of the Company's External Auditors, independent Internal Auditors, risk management and internal control systems (including financial, operational, compliance and information technology risks) and report to the Board annually;
- undertake such other functions and duties as may be required by the relevant laws or provisions of the SGX-ST Catalist Rules (as may be amended from time to time) and as may be requested by the Board;
- review the Company's procedures for whistle-blowing policy endorsed by the AC by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters to be safely raised, independently investigated and appropriately followed up on;
- review the assurance from the CEO and the COO on the financial records and financial statements;
- review the remuneration and terms of engagement of the External Auditors and independent Internal Auditors; and
- review the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function.

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 or she will abstain from reviewing that particular transaction or voting on that particular resolution. There is no such internal investigations during the years required.

It has been proposed that the AC will meet at least two times a year and as frequently as is required. In FY2023, the AC has met two times to review and approve the Group's half yearly announcement of unaudited results, full year announcement of unaudited results and approval of audit planning memorandum for statutory audit in FY2023.

There were no non-audit services provided by the External Auditors in FY2023 that would affect the independence of the External Auditors. The aggregate amount of audit fees paid or payable to Auditors of the Company and its member firms for FY2023 amounted to S\$209,000. The AC is satisfied with the independence and objectivity of Messrs UHY Lee Seng Chan & Co. and has recommended to the Board the nomination of Messrs UHY Lee Seng Chan & Co. for re-appointment as auditors of the Company at the forthcoming AGM.

The AC has full access to and cooperation of the Management, independent Internal Auditors and External Auditors, and full discretion to invite any Director or key management personnel to attend the meetings and has been given reasonable resources to enable it to discharge its functions properly.

The Company has complied with Rule 712 and Rule 715 of the SGX-ST Catalist Rules, in the appointment of auditors for the Company and its subsidiaries, having regard the adequacy of the track record, resources, experience and independence of the auditing firm and the audit partner-in-charge assigned to the audit. The details of the auditors are outlined in Notes 15 and 16 of the financial statements.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the External Auditors. Accordingly, the AC had evaluated the performance of the External Auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

Corporate Governance Report

In addition, in October 2015, with the support from SGX-ST and Singapore Institute of Directors, ACRA had introduced the "Audit Quality Indicators" ("**AQIs**") Disclosure Framework to assist the AC in evaluating the re-appointment of External Auditors based on quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the External Auditors based on the AQIs at engagement and/or firm-level.

Changes to accounting standards and accounting issues which have significant impact on the financial statements were reported to the AC, and highlighted by the External Auditors in their meetings with the AC, to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements. In line with Provision 10.3 of the Code, the AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the External Auditors are required to include the Key Audit Matters ("**KAM**") in the annual report of the Company. KAM typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts.

The AC meets with the independent Internal Auditors and External Auditors separately without the presence of Management at least once a year. For FY2023, the AC met once with the External Auditors and independent Internal Auditors without the presence of Management.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX-ST in the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and the External Auditors, and were reviewed by the AC:

1	Write down of inventories to net realisable value.
2	Impairment assessment of trade receivables.

The AC was satisfied that the key audit matters have been properly dealt with for purpose of the Board's approval of the financial statements for FY2023.

Whistle-blowing policy

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. It aims to provide an avenue for 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. The AC exercises the overseeing function over the administration of the whistle-blowing policy. The AC must discuss such matters with the External Auditors and at appropriate times, report the matter to the Board and to the Sponsor. The Sponsor shall inform the Exchange where necessary. The Group has designated an independent function to investigate whistle-blowing reports made in good faith and ensures that the identity of the whistleblower is kept confidential and the Group is committed to ensure protection of the whistleblower against detrimental or unfair treatment. There were no whistle-blowing matters reported during the financial year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters. Staff of the Group has access to the Audit Committee Chairman and may, in confidence and on an anonymous basis, raise concerns about possible improprieties in any such corporate matters by sending an email to john.lim@cpa-partnership.com.sg or a letter in writing to the Audit Committee Chairman.

Corporate Governance Report

Internal Audit

Since FY2022, the Company, upon the recommendation of the AC, appointed Messrs Assentsure PAC as independent Internal Auditors.

Messrs Assentsure PAC was founded in 2018 by a group of experienced chartered accountants/professionals from various fields. Assentsure PAC offers diversified business advisory services in Singapore. Assentsure PAC offers a full range of professional services, including audit and assurance, tax advisory and compliance, forensic investigation, business consulting, corporate governance, accounting and bookkeeping and corporate secretarial.

The internal audit engagement team comprises Engagement Partner (Su Chun Keat), Engagement Manager (Yeo Cheng Hee), and other team members. The engagement team is led by the Engagement Partner who has more than 20 years of experience in audit and assurance and internal audit and is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants ("ISCA"). The engagement team consists of the Engagement Manager and team members who possess relevant experience as well as designations such as Certified Internal Auditor of the Institute of Internal Auditors ("IIA") and Chartered Accountant of ISCA.

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 independence and scope of work deliverables by the independent Internal Auditors on a regular basis, including overseeing and monitoring the implementation of the improvements required on internal control weaknesses identified. The AC has the responsibility to review the adequacy and effectiveness of the internal audit function on an annual basis, review the internal audit program and ensure co-ordination between independent Internal Auditors, External Auditors and Management, and ensure that the independent Internal Auditors meet or exceed the standards set by nationally or internationally recognised professional bodies. The AC also reviews and approves the hiring, remuneration and removal of the independent Internal Auditors and evaluates its outsourced internal audit function.

The AC met up with the independent Internal Auditors separately at least once a year without the presence of Management. The independent Internal Auditors are provided with unfettered access to the documents, records, properties and personnel, including the Board, AC and Management, and has standing within the Company for performing their internal audit review.

The independent 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 the Management. The Management would thereafter update the AC on the status of the remedial action plans.

The internal audit work carried out in FY2023 was guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors. The independent Internal Auditors have provided a confirmation of their independence to the AC.

During FY2023, the independent Internal Auditors had completed audit in December 2023 covering the accounts receivables and receipts and accounts payables and payments processes of its subsidiary under the Distribution Business. There were no material findings for FY2023.

The AC and the Board review the adequacy and effectiveness of the internal audit function on an annual basis and are satisfied that in FY2023, the internal audit function has adequate resources to perform its duties effectively and is staffed by suitably qualified and experienced professionals with the relevant experience and independent of its activities it audits.

Corporate Governance Report

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

All shareholders are treated fairly and equitably to facilitate their ownership rights to participate effectively in and vote at general meetings. Shareholders are also informed on the procedures for the poll voting at the general meetings. The Constitution allows a member of the Company, who is unable to attend the general meeting in person, to appoint up to two proxies to attend and vote at the meeting.

The Group believes that a high standard of transparent corporate 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 forthcoming AGM of the Company to be held in respect of FY2023 will be convened and held physically. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions.

The Board noted that there should be separate resolutions on each substantially separate issue that may be tabled at the general meeting. All the resolutions at the general meetings are single item resolutions. The Company avoids 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

At the AGM, shareholders are given opportunities to express their views and the Board welcomes the views of shareholders who wish to raise issues concerning the Company, either informally or formally before or during these general meetings. Board members, senior Management and the Company Secretary are present and available to address questions from shareholders at general meetings. Furthermore, the External Auditors are present to assist the Board in addressing any relevant queries raised by the shareholders relating to the conduct of the audit and the preparation of content of the Auditors' report.

The Constitution allows corporations and members of the Company to appoint one or two proxies to attend and vote at general meetings. A relevant intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the meeting in person. CPF and SRS Investors who are unable to attend the meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the meeting.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

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 announced at the meeting and broadcasted via SGXNet after the meeting.

The Company prepares and publishes minutes of general meetings incorporating the substantial and relevant queries from shareholders relating to the agenda of the meeting and responses from the Board and the Management. The Company will publish the minutes of the AGM within one month from the AGM and such minutes are also available to shareholders on its corporate website as soon as practicable.

Corporate Governance Report

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.

Although declaring and recommending dividend are not fixed, the Board of Directors' policy is to recommend dividends consistent with the Company's objective, *inter alia* of maximising shareholders' value. The Board will carefully consider and evaluate the aforementioned before proposing any dividend.

Engagement with shareholders

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

The Company recognises the importance of actively engaging with shareholders to promote effective and fair communication. The Board acknowledges that the Company has to fulfill its obligation to furnish timely and material information to shareholders and to ensure full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Catalist Rules. Any price sensitive information will be publicly released through SGXNet.

The Company does not practice selective disclosure. To keep all shareholders of the Company informed on all disclosures and developments of the Company, the shareholders can access the Company's announcements and annual reports through the Company's website at the URL www.annaik.com.

Although the Company has not adopted a formal investor relations policy to regularly convey pertinent information to the shareholders, the Board acknowledges its obligation to furnish timely information to shareholders and ensures that full disclosure of material information in its annual report to comply with statutory requirements and the SGX-ST Catalist Rules is made. By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns as well as keeping the investors publicly apprised of the Group's corporate developments and financial performance.

In view of the above, the Company did not implement a formal investor relations policy because there are existing channels to actively engage and promote regular, effective and fair communication with shareholders. Shareholders may contact the Company with questions and the Company may respond to such questions via kkng@annaik.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

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

The Board considers the Company's obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company's long-term sustainability. Stakeholders refer to parties who may be affected by the Company's activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified these groups as customers, constructors, suppliers, employees, landlords, investors, media, government, institutions and communities. The Group has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups.

In addition, the Company's material stakeholders, sustainability efforts (including its strategy and key areas of focus) and performance can be found in the Company's sustainability report in order to keep the stakeholders informed on the commitment made by the Company in fostering the creation of long-term value for the stakeholders and sustainable development of the global economy. Please refer to the Company's sustainability report for further details.

Corporate Governance Report

To keep all stakeholders of the Company updated on the latest announcements, press releases and stock details of the Company, stakeholders may at anytime access to the Company's website (www.annaik.com).

Stakeholders can contact the Company on the following services:

Investor Related Services	kkng@annaik.com
Environmental Related Services	benjaminow@annaik.com
Sales Related Services	sales@annaik.com

DEALING IN SECURITIES

The Company has adopted an Internal Code of Best Practices on Securities Transactions to Directors and key management personnel (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 1204(19) of the SGX-ST Catalist Rules.

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 notifications to all its officers including Directors, key management 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 Rule 1204(19) of the SGX-ST Catalist Rules.

INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested person within the definition of Chapter 9 of the SGX-ST Catalist Rules and has set out procedures for review and approval of all interested person transactions. There were no interested person transactions equal to or exceeding S\$100,000 in aggregate between the Company and any of its interested persons (namely, Directors, Chief Executive Officer or controlling shareholders of the Group or the associates of such Directors, Chief Executive Officer or controlling shareholders) for the financial year ended 31 December 2023.

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 40 of the financial statements.

MATERIAL CONTRACTS

There is no material contracts entered into by the Group involving the interests of any Director or controlling shareholder, which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

SAC Capital Private Limited was appointed as the Company's continuing sponsor on 3 November 2023 in place of Hong Leong Finance Limited. With reference to Rule 1204(21) of the SGX-ST Catalist Rules, there were no non-sponsor fees paid to either SAC Capital Private Limited or Hong Leong Finance Limited for the financial year ended 31 December 2023.

Corporate Governance Report

TABLE A – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:

Name of Director	Mr Ow Eei Phurn, Benedict ("Mr Benedict Ow")	Ms Tan Poh Hong ("Ms Tan")
Date of Appointment	7 May 2021	26 July 2018
Date of last re-appointment (if applicable)	29 April 2022	30 April 2021
Age	43	65
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process)	The Board of Directors of the Company is of the opinion that Mr Benedict Ow can contribute positively to the Company after reviewing the Nominating Committee's recommendation and Mr Benedict Ow's qualifications, extensive experiences and suitability.	The Board of Directors of the Company is of the opinion that Ms Tan can contribute positively to the Company after reviewing the Nominating Committee's recommendation and Ms Tan's qualifications, extensive experiences and suitability. The Board considers Ms Tan to be independent for the purpose of Rule 704(7) of the Catalist Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for the overall distribution business of the Group and managing the Group's supply chain operations	Non-Executive
Job Title	Executive Director cum Sales Director	Non-Executive and Independent Director, Chairman of Remuneration Committee and a member of Nominating Committee and Audit Committee
Professional qualifications	Bachelor of Commerce from University of Melbourne, Australia and is a full member of CPA (Australia)	<ul style="list-style-type: none"> • Bachelor of Science (Estate Management) (Hons), National University of Singapore • MBA (Distinction) New York University
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<ol style="list-style-type: none"> 1. Son of Mr Ow Chin Seng and Mdm Low Kheng 2. Brother of Mr Ow Eei Meng, Benjamin 	None
Conflict of interest (including any competing business)	None	None

Corporate Governance Report

Name of Director	Mr Ow Eei Phurn, Benedict ("Mr Benedict Ow")	Ms Tan Poh Hong ("Ms Tan")
Working experience and occupation(s) during the past 10 years	Mr Benedict Ow worked in the Company as Finance Manager from 2004 to 2010 and left to pursue his own interest. In 2012, Mr Benedict Ow rejoined the Company and took on the role of Project Sales Manager and was promoted to Sales Director in March 2020. Mr Benedict Ow was subsequently appointed as an Executive Director in May 2021. His current roles are to assist with the overall distribution business of the Group and managing the Group's supply chain operations.	<p><u>From 2009 to 2017</u> Chief Executive Officer of Agri-Food & Veterinary Authority of Singapore. She was responsible for transforming and expanding the organisation's mandate to cater to new challenges facing the country. In particular, she built up the organisation's capabilities to manage and strengthen Singapore's food security. She initiated and led stakeholder engagement and partnership initiatives and drove the push to transform the local farming sector.</p> <p><u>From 2004 to 2009</u> Deputy Chief Executive Officer of Housing and Development Board ("HDB")'s Estates and Corporate Groups. The Groups were responsible for planning, developing and managing HDB properties and estates which included over a million housing units and industrial and commercial buildings, as well as formulation of housing policies and programmes. Ms Tan drove technology adoption and streamlining of operations.</p>
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Direct interest – 1,155,000 shares Indirect interest – 497,750 shares	Ms Tan does not hold any shares in AnnAik Limited and its subsidiaries
Other principal commitments including directorships	<p><u>Past (for the last 5 years)</u></p> <ul style="list-style-type: none"> • Jameson Capital Pte. Ltd. • BAW United Pte. Ltd. <p><u>Present</u></p> <ul style="list-style-type: none"> • Jameson Holdings Pte. Ltd. 	<p><u>Past (for the last 5 years)</u></p> <ul style="list-style-type: none"> • Barramundi Group Ltd. <p><u>Present</u></p> <ul style="list-style-type: none"> • VICOM Ltd • APAC Realty Limited • Centurion Corporation Limited • Sheng Siong Group Ltd. • OTS Holdings Limited • Jilin Food Zone Pte. Ltd. • Vanguard Healthcare Pte. Ltd.

The retiring Directors have responded negative to items (a) to (k) listed in Appendix 7F of the SGX-ST Catalist Rules.

Directors' Statement

The directors are pleased to present their statement 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 2023.

1. Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Ow Chin Seng (Executive Chairman/Chief Executive Officer)
Ow Eei Phurn, Benedict
Ng Kim Keang
Lim Geok Peng
Tan Poh Hong
Gan Thiam Poh

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph five below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objectives is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Statement

4. 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 1967, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At beginning of financial year	At the end of financial year	At beginning of financial year	At the end of financial year
AnnAik Limited				
Ordinary shares				
Ow Chin Seng	94,739,197	97,574,197	17,156,455	20,006,455
Ow Eei Phurn, Benedict	1,155,000	1,155,000	497,750	497,750
Ng Kim Keang	8,277,000	9,888,500	–	–
Options to subscribe for ordinary shares under the AnnAik Share Option Scheme				
Ow Chin Seng	1,662,500	–	1,662,500	–
Ng Kim Keang	1,812,500	–	–	–
Warrants				
Ow Chin Seng	18,590,739	18,590,739	6,068,731	6,068,731
Ow Eei Phurn, Benedict	–	–	99,550	99,550
Ng Kim Keang	770,000	770,000	–	–

By virtue of Section 7 of the Singapore Companies Act 1967, Mr Ow Chin Seng is deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned interest in the Company between the end of the financial year and 21 January 2024.

Except as disclosed in this statement, 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 related corporations, either at the beginning of the financial year or at the end of the financial year.

5. Options

In 2013, the Company had adopted the AnnAik Employee Share Option Scheme 2013 ("Share Option Scheme") which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 18 September 2013. The Share Option Scheme is valid for 10 years and has since expired on 17 September 2023. The Share Option Scheme was administered by the Remuneration Committee comprising Gan Thiam Poh, Lim Geok Peng and Tan Poh Hong.

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 executive/non-executive director of the Company or any subsidiary of the Group subject to certain exceptions as determined by the Remuneration Committee.

Directors' Statement

5. Options (Continued)

As at 31 December 2023, the details of the share options held by the directors of the Company under the Share Option Scheme are as follows:

Name of director	Options granted from 1.1.2023 to 31.12.2023 '000	Aggregate options granted since commencement of the Scheme to 31.12.2023 '000	Aggregate options exercised since commencement of the Scheme to 31.12.2023 '000	Aggregate options cancelled/lapsed since commencement of the Scheme to 31.12.2023 '000	Aggregate options outstanding as at 31.12.2023 '000
Ow Chin Seng	–	1,663	–	(1,663)	–
Ng Kim Keang	–	1,813	–	(1,813)	–

Details of the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2023 are as follows:

Date of grant	Balance at 1.1.2023 '000	Grant '000	Exercised '000	Cancelled/ Lapsed '000	Balance at 31.12.2023 '000	Exercise price per option \$	Exercise period
16.10.2013	8,333	–	–	(8,333)	–	0.067	17.10.2015 to 15.10.2023
18.10.2019	2,084	–	–	(2,084)	–	0.067	18.10.2019 to 15.10.2023
	10,417	–	–	(10,417)	–		

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

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

6. 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 statement are:

Lim Geok Peng (Chairman)
Tan Poh Hong
Gan Thiam Poh

Directors' Statement

6. Audit Committee (Continued)

The Audit Committee (AC) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act 1967, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors.
- Reviewed the half yearly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors.
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor.
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC.
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators.
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor.
- Reviewed the nature and extent of non-audit services provided by the external auditor.
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit.
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate.
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

Directors' Statement

7. Auditors

UHY Lee Seng Chan & Co has expressed its willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Ow Chin Seng
Director

Ng Kim Keang
Director

Singapore
28 March 2024

Independent Auditor's Report

To the Members of AnnAik Limited

For the financial year ended 31 December 2023

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AnnAik Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying 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 Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

To the Members of AnnAik Limited
For the financial year ended 31 December 2023

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in our audit
<p>1. Write down of inventories to net realisable value</p> <p>The Group's inventories comprise steel products (such as flanges, plates, pipes and fittings and valves) which are commonly used in various industries such as construction and petrochemical. As at 31 December 2023, the carrying amount of inventories amounted to \$21,895,000, net of allowance for slow moving inventories of \$2,162,000. These inventories represent approximately 18.2% and 37.9% of the Group's total assets and current assets respectively.</p> <p>The Group is exposed to risk of slow-moving inventories as a result of volatility in selling prices of steel products. Significant judgement is required in the estimation of net realisable value and allowance for slow moving inventories. Such estimation is subject to factors such as volatility in the steel price, current and expected future market demand which may also be affected by pricing competition, significant inflationary pressures, high interest-rate environment, on-going geopolitical tensions between US and China and the on-going war (amongst Russia, Ukraine, Israel and Hamas). As such, we determined that this is a key audit matter.</p> <p>The disclosures in the financial statements are set out in Notes 2.15, 3.2(c) and 20 of the accompanying financial statements.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> a) Attended the inventory count and observed management's process in identifying slow moving items; b) Evaluated the Group's processes and controls relating to sale and purchase of inventories; c) Reviewed management processes in determining the selling prices of steel products by looking at current and expected future market demand and historical trend of steel prices; d) Evaluated management's assumptions and estimates used to determine the write down amount through testing of the reliability of the sales movement reports and reviewing historical sales patterns; e) Performed testing on a sample of items to assess the cost and the estimation of net realisable value of inventories; f) Reviewed the adequacy of the related disclosures in Note 20 of the financial statements.

Independent Auditor's Report

To the Members of AnnAik Limited

For the financial year ended 31 December 2023

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in our audit
<p>2. Impairment assessment of trade receivables</p> <p>As at 31 December 2023, the Group recorded a net trade receivables of \$19,218,000 which represents approximately 16.0% and 33.3% of the Group's total assets and current assets respectively. The Group has provided loss allowance on expected credit loss (ECL) of \$835,000, which represents approximately 4.2% of the Group's gross trade receivables.</p> <p>The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group estimates the credit loss allowance by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for available current and forward-looking information specific to the debtors and economic environment. As the determination of the ECL for trade receivables involves significant judgement and estimation by management, we have identified this as a key audit matter.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> a) Obtained an understanding and evaluated the Group's processes and controls relating to the monitoring of trade receivables including the enhanced controls arising from the high interest-rate environment and review of credit risks arising from transactions with customers; b) Requested trade receivable confirmations and evidence of receipts from the trade receivables subsequent to the financial year end on a sample basis; c) Evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments taking into consideration the current economic situation; d) Evaluated the ECL allowance established and the amount recognised in profit or loss through checking the arithmetic accuracy of management's computation of the ECL, testing the accuracy of the ageing of the trade receivables, analyses of ageing profile of the trade receivables to identify collection risks and assessment of significant overdue individual trade receivables; e) Assessed the adequacy of disclosures of the trade receivables, the sensitivity analysis and the related credit risk and liquidity risk in Note 3.2(b), Note 21, Note 40(a) and Note 40(b) to the financial statements respectively.

Independent Auditor's Report

To the Members of AnnAik Limited
For the financial year ended 31 December 2023

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

To the Members of AnnAik Limited

For the financial year ended 31 December 2023

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Lee Sen Choon.

UHY Lee Seng Chan & Co

Public Accountants and
Chartered Accountants

Singapore

28 March 2024

Consolidated Income Statement

For the financial year ended 31 December 2023

	Note	2023 \$'000	Group 2022 \$'000
			[Represented] (Note 45)
Continuing operations			
Revenue			
Cost of sales	4	47,659 (31,412)	82,725 (64,436)
Gross profit		16,247	18,289
Other income	5	740	2,503
Distribution expenses		(677)	(898)
Administrative expenses		(8,816)	(9,788)
Write-back/(allowance) for impairment losses on financial assets	6	15	(102)
Other operating expenses		(566)	(885)
Share of profit of associate		187	363
Finance costs	7	(1,429)	(1,197)
Profit before tax	8	5,701	8,285
Income tax expense	9	(1,146)	(1,034)
Profit from continuing operations		4,555	7,251
Discontinued operations			
Profit from discontinued operations, net of tax	24(b)	80	96
Profit for the financial year		4,635	7,347
Profit attributable to:			
Owners of the Company			
Continuing operations	10	3,195	5,500
Discontinued operations	10	50	26
		3,245	5,526
Non-controlling interests			
Continuing operations		1,360	1,751
Discontinued operations		30	70
		1,390	1,821
		4,635	7,347
Earnings per share (cents per share):			
Basic			
Continuing operations	10	1.11	1.91
Discontinued operations	10	0.02	0.01
Diluted			
Continuing operations	10	1.11	1.90
Discontinued operations	10	0.02	0.01

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 2023

	2023	Group	2022
	\$'000		\$'000
Profit for the financial year	4,635		7,347
Other comprehensive income:			[Represented] (Note 45)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation	(2,330)		(4,632)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on equity securities at FVOCI	(67)		–
Other comprehensive loss for the financial year, net of tax	(2,397)		(4,632)
Total comprehensive income for the financial year	2,238		2,715
Total comprehensive income attributable to:			
Owners of the Company			
Continuing operations	1,377		2,126
Discontinued operations	34		7
	1,411		2,133
Non-controlling interests			
Continuing operations	804		525
Discontinued operations	23		57
	827		582
	2,238		2,715

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

Balance Sheets

As at 31 December 2023

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Non-current assets					
Property, plant and equipment	11	11,586	11,954	8	11
Right-of-use assets	12(a)	3,965	4,173	–	–
Goodwill	13	497	497	–	–
Intangible assets	14	35,631	37,197	679	1,018
Investments in subsidiaries	15	–	–	30,048	26,516
Investments in associates	16	9,824	10,338	–	–
Investment securities	17	–	67	–	–
Club membership	18	190	190	190	190
Refundable deposits	19	434	451	–	–
Deferred tax assets	29	122	62	–	–
		62,249	64,929	30,925	27,735
Current assets					
Inventories	20	21,895	25,102	–	–
Prepayments		189	154	6	25
Trade and other receivables	21	21,137	20,631	22	–
Amounts due from subsidiaries	22	–	–	10,293	11,086
Cash and bank balances	23	11,073	15,002	711	305
		54,294	60,889	11,032	11,416
Assets of disposal group classified as held for sale	24(b)	3,500	–	–	–
		57,794	60,889	11,032	11,416
Total assets		120,043	125,818	41,957	39,151
Current liabilities					
Amounts due to subsidiaries and associates	22	374	326	476	465
Trade payables	25	2,189	3,443	–	–
Other payables and accruals	26	6,224	8,286	1,138	1,281
Loans and borrowings	27	10,581	13,696	260	616
Provision for income tax		1,271	1,316	–	–
Lease liabilities	12(b)	264	324	–	–
		20,903	27,391	1,874	2,362
Liabilities directly associated with disposal group classified as held for sale	24(b)	3,143	–	–	–
		24,046	27,391	1,874	2,362
Net current assets		33,748	33,498	9,158	9,054

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

Balance Sheets

As at 31 December 2023

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Non-current liabilities					
Other payables and accruals	26	33	34	–	–
Loans and borrowings	27	11,766	14,210	252	512
Deferred government grants	28	1,459	1,396	–	–
Deferred tax liabilities	29	1,044	998	–	–
Lease liabilities	12(b)	2,784	2,763	–	–
		17,086	19,401	252	512
Total liabilities		41,132	46,792	2,126	2,874
Net assets		78,911	79,026	39,831	36,277
Equity attributable to equity holders of the Company					
Share capital	30(a)	38,864	38,864	38,864	38,864
Treasury shares	30(b)	(568)	(568)	(568)	(568)
Foreign currency translation reserve	31	(2,733)	(966)	–	–
Statutory reserve fund	32	3,848	3,277	–	–
Employee share option reserve	33	–	454	–	454
Fair value reserve	34	(67)	–	–	–
Retained earnings/(accumulated losses)		25,423	23,449	1,535	(2,473)
		64,767	64,510	39,831	36,277
Non-controlling interests		14,144	14,516	–	–
Total equity		78,911	79,026	39,831	36,277
Total equity and liabilities		120,043	125,818	41,957	39,151

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 2023

Group	Share capital [Note 30(a)] \$'000	Treasury shares [Note 30(b)] \$'000	Foreign currency		Statutory reserve fund (Note 32) \$'000	Employee share option reserve (Note 33) \$'000	Fair value reserve (Note 34) \$'000	Retained earnings \$'000	Attributable to owners of the Company \$'000		Non- controlling interests \$'000	Total equity \$'000
			translation reserve (Note 31) \$'000	translation reserve (Note 31) \$'000					Company	Company		
2023	38,864	(568)	(966)	3,277	454	—	23,449	64,510	14,516	79,026		
Balance at 1 January 2023	—	—	—	—	—	—	3,245	3,245	1,390	4,635		
Profit for the financial year	—	—	(1,767)	—	—	—	—	(1,767)	(563)	(2,330)		
Other comprehensive income	—	—	—	—	—	(67)	—	(67)	—	(67)		
– Foreign currency translation												
– Fair value loss on equity securities at FVOCI												
Total comprehensive income for the financial year	—	—	(1,767)	—	—	(67)	3,245	1,411	827	2,238		
Contribution by and distributions to owners												
– Expiry of share options					(454)		454					
– Dividends paid (Note 35)							(1,154)	(1,154)				(1,154)
Total transactions with owners via their capacity as owners					(454)		(700)	(1,154)				(1,154)
Changes in ownership interests in subsidiaries												
– Acquisition of non-controlling interests without a change in control									(132)	(132)		(132)
Total changes in ownership interests in subsidiaries									(132)	(132)		(132)
Others												
– Transfer to statutory reserve fund					571		(571)					
– Dividends paid to non-controlling interests										(1,067)		(1,067)
Balance at 31 December 2023	38,864	(568)	(2,733)	3,848	—	(67)	25,423	64,767	14,144	78,911		

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 2023

Group	Share capital [Note 30(a)] \$'000	Treasury shares [Note 30(b)] \$'000	Foreign currency translation reserve (Note 31) \$'000	Statutory reserve fund (Note 32) \$'000	Employee share option reserve (Note 33) \$'000	Retained earnings \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
2022									
Balance at 1 January 2022	38,776	(568)	2,427	2,583	517	20,564	64,299	14,527	78,826
Profit for the financial year	-	-	-	-	-	5,526	5,526	1,821	7,347
Other comprehensive income	-	-	(3,393)	-	-	-	(3,393)	(1,239)	(4,632)
- Foreign currency translation	-	-	(3,393)	-	-	-	(3,393)	(1,239)	(4,632)
Total comprehensive income for the financial year	-	-	(3,393)	-	-	5,526	2,133	582	2,715
Contribution by and distributions to owners									
- Issuance of shares under ESOS Scheme 2013	88	-	-	-	(58)	58	88	-	88
- Expiry of share options	-	-	-	-	(5)	5	-	-	-
- Dividends paid (Note 35)	-	-	-	-	-	(2,010)	(2,010)	-	(2,010)
- Return of capital to non-controlling interests	-	-	-	-	-	-	-	(265)	(265)
Total transactions with owners via their capacity as owners	88	-	-	-	(63)	(1,947)	(1,922)	(265)	(2,187)
Changes in ownership interests in subsidiaries									
- Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	(274)	(274)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(274)	(274)
Others									
- Transfer to statutory reserve fund	-	-	-	694	-	(694)	-	-	-
- Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(54)	(54)
Balance at 31 December 2022	38,864	(568)	(966)	3,277	454	23,449	64,510	14,516	79,026

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 2023

Company	Share capital [Note 30(a)] \$'000	Treasury shares [Note 30(b)] \$'000	Employee share option reserve (Note 33) \$'000	Retained earnings/ (accumulated losses) \$'000	Total equity \$'000
2023					
At 1 January 2023	38,864	(568)	454	(2,473)	36,277
Total comprehensive income for the financial year	–	–	–	4,708	4,708
Contribution by and distributions to owners					
– Expiry of share options	–	–	(454)	454	–
– Dividends paid (Note 35)	–	–	–	(1,154)	(1,154)
Total transactions with owners via their capacity as owners	–	–	(454)	(700)	(1,154)
At 31 December 2023	38,864	(568)	–	1,535	39,831
2022					
At 1 January 2022	38,776	(568)	517	(4,839)	33,886
Total comprehensive income for the financial year	–	–	–	4,313	4,313
Contribution by and distributions to owners					
– Issuance of shares under ESOS Scheme 2013	88	–	(58)	58	88
– Expiry of share options	–	–	(5)	5	–
– Dividends paid (Note 35)	–	–	–	(2,010)	(2,010)
Total transactions with owners via their capacity as owners	88	–	(63)	(1,947)	(1,922)
At 31 December 2022	38,864	(568)	454	(2,473)	36,277

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 2023

	Note	Group 2023 \$'000	2022 \$'000
Cash flows from operating activities:			
Profit before tax from continuing operations		5,701	8,285
Profit before tax from discontinued operations	24(b)	114	132
Profit before tax		5,815	8,417
Adjustments for:			
Amortisation of government grants	5, 28	(70)	(68)
Gain on disposal of property, plant and equipment		–	(11)
Gain on disposal of assets classified as held for sale	5, 24(a)	–	(702)
Loss on disposal of intangible assets	8	–	232
(Write-back)/allowance for impairment losses on financial assets	6, 21	(15)	102
Bad debts written off	8	18	7
Impairment loss of property, plant and equipment	8, 11	–	120
Depreciation of property, plant and equipment	11	887	929
Depreciation of right-of-use assets	12(a)	469	364
Amortisation of intangible assets	8, 14	1,875	1,791
Allowance for slow moving inventories	8, 20	139	380
Write down of inventories to net realisable value	8, 20	–	32
Property, plant and equipment written off	8	–	4
Reversal of accruals	5	(72)	–
Share of profits of associates		(178)	(339)
Interest income		(157)	(104)
Finance costs		1,429	1,198
Unrealised foreign exchange gain, net		(377)	(453)
Operating profit before working capital changes		9,763	11,899
<u>(Increase)/decrease in:</u>			
Trade receivables		(1,813)	(514)
Other receivables and prepayments		(901)	4,181
Inventories		3,069	571
<u>(Decrease)/increase in:</u>			
Trade payables		(376)	(1,369)
Other payables		95	(4,826)
Bills payable		(1,407)	(3,156)
Cash generated from operations		8,430	6,786
Interest expense paid		(1,281)	(1,055)
Interest income received		157	104
Income taxes paid		(1,043)	(436)
Net cash flows from operating activities		6,263	5,399

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 2023

	Note	Group	
		2023 \$'000	2022 \$'000
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		–	23
Proceeds from disposal of assets classified as held for sale	24(a)	–	10,279
Proceeds from disposal of intangible assets		–	15
Purchase of property, plant and equipment	11	(557)	(104)
Additions to intangible assets	14	(1,712)	(3,830)
Acquisition of non-controlling interests without a change in control	15(b)	(57)	(274)
		(2,326)	6,109
Net cash flows (used in)/from investing activities			
Cash flows from financing activities:			
Proceeds from issuance of shares under ESOS Scheme 2013	30(a)	–	88
Proceeds from government grants	28	187	–
Proceeds from loans and borrowings		4,115	3,367
Repayment of loans and borrowings		(8,011)	(10,819)
Increase/(decrease) in amount due to associates	27	48	(100)
Return of capital to non-controlling interests	15(c)	–	(265)
Dividends paid	35	(1,154)	(2,010)
Dividends paid to non-controlling interests		(1,067)	(54)
Payment of principal portion of lease liabilities	12(b)	(345)	(243)
Payment of interest on lease liabilities	12(b)	(148)	(143)
		(6,375)	(10,179)
Net cash flows used in financing activities			
Net (decrease)/increase in cash and cash equivalents		(2,438)	1,329
Cash and cash equivalents at beginning of financial year		15,002	14,382
Effect of exchange rate changes on the balance of cash held in foreign currencies		(338)	(709)
Cash and cash equivalents at end of financial year	23	12,226	15,002

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

Notes to the Financial Statements

For the financial year ended 31 December 2023

1. CORPORATE INFORMATION

AnnAik Limited (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of the Singapore Exchange.

The registered office and principal place of business of the Company is located at 52 Tuas Avenue 9, Singapore 639193.

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

The principal activities of the subsidiaries and associates are disclosed in Notes 15 and 16 to the financial statements respectively.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 (International) [SFRS(I)s].

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) except when otherwise indicated.

The financial statements of the Group and the Company have been prepared on the basis that they will continue to operate as a going concern.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and that are effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial statements of the Group and the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 16 <i>Leases</i> : Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements</i> : Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 1-7 <i>Statement of Cash Flows</i> and SFRS(I) 7 <i>Financial Instruments: Disclosures</i> : Supplier Finance Arrangements	1 January 2024
Amendments to SFRS(I) 1-21 <i>The Effects of Changes in Foreign Exchange Rates</i> : Lack of Exchangeability	1 January 2025
Amendments to SFRS(I) 10 <i>Consolidated Financial Statements</i> and SFRS(I) 1-28 <i>Investments in Associates and Joint Ventures</i> : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) *Business combinations and goodwill*

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.

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 profit or loss.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or at the non-controlling interest's proportionate share of the acquiree's 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. 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.

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 the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have 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.

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Foreign currency

The 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 end of the reporting period. 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 values were measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. For equity investment securities held at FVOCI, exchange differences arising from translation are recognised in other comprehensive income and included in fair value reserves.

(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 average exchange rate for the year. 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.

2.7 Subsidiaries

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

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

2.8 Associate

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investment in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.8 Associate (Continued)

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

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

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Assets 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 assets, commences when the assets are ready for their intended use.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of other assets is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	– 30 and 40 years
Plant and equipment	– 5 to 10 years
Motor vehicles	– 5 to 8 years
Furniture, renovation, fixtures and equipment	– 5 to 10 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

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 least at the end of each financial year end, and adjusted prospectively, if appropriate.

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 de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. 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. The useful lives of intangible assets are assessed as either finite or indefinite.

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 the end of each financial year. 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.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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.

(a) Patent rights

The patent rights relate to purchase of the rights to use the Biological Trickling Filter patent in relation to rural wastewater treatment. The rights is amortised on a straight-line basis over the contractual life, from the date of purchase of such rights until 31 March 2026.

(b) Concession rights

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 wastewater treatment plants.

(c) 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.

(d) Club membership

The useful life of club membership is indefinite as it is lifetime membership and has no dates of expiry.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

Impairment losses are recognised in profit or loss.

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 and amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

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

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.12 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Debt instruments (Continued)

(ii) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at FVPL. A gain or loss on debt instruments that is subsequently measured FVPL and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in FVOCI which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

For investments in equity instruments which the Group has not elected to present subsequent changes in FVOCI, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 for debt instruments is recognised in profit or loss.

(b) 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, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.13 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits which are subject to an insignificant risk of changes in value. These will also include bank overdrafts, if any, 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. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials (for manufacturing products): purchase costs on a weighted average basis.
- Trading goods and work-in-progress (for manufacturing products): costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.
- Trading goods (for distribution products and engineering): purchase costs on a first-in first-out basis.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.16 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 financial year 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.

2.17 Government grants

Government grants are recognised when 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 government grants on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.18 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 transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.19 Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.20 Employee benefits

(a) *Defined contribution plans*

(i) Republic of Singapore (Singapore)

The Singapore companies in the Group make contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme.

(ii) The People's Republic of China (PRC)

Subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to its employees under existing PRC legislation. Pension contributions are made at rates stipulated by PRC legislation to a pension fund managed by government agencies, who are responsible for administering these amounts for the subsidiaries' employees.

(iii) Malaysia

The Malaysia subsidiary in the Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme.

(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 the end of the reporting period.

(c) *Employee 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 and is recognised in employee benefit expense.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.21 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

(i) **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Leasehold land	– 24 years
Land use rights	– 50 years
Motor vehicles	– 2 to 8 years
Plant and equipment	– 4 to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

(ii) **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.21 Leases (Continued)

As lessee (Continued)

(iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office and storage space (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to extend). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for rental income is set out in Note 2.23(d).

2.22 Non-current assets (or disposal groups) and discontinued operations held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable with the asset (or disposal group) being available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to be completed within one year from the date of classification.

They are measured at the lower of the carrying amount and fair value less costs to sell. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Depreciation and amortisation for non-current assets and equity accounting for investment in associates ceased once it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

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

- (i) represents a separate major line of business or geographical area of operations;
- (ii) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is represented as if the operation had been discontinued from the start of the comparative year.

The results of discontinued operations is disclosed separately from continuing operations as a single amount comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sale of goods*

The Group sells stainless steel and other non-steel products. Revenue from the sale of goods is recognised when the goods are delivered to the customer and all performance obligations have been satisfied. Shipping services and sales of goods are determined as two separate performance obligations and are recognised at a point in time, upon the transfer of significant risks and rewards of ownership to the customers.

(b) *Service income from environmental business*

Service income of the Group's environmental business comprises (i) monthly meter readings and the minimum guaranteed sum from the local government on a monthly basis from the provision of wastewater treatment services, (ii) provision of consultancy services relating to environmental engineering and (iii) construction of water treatment systems (construction contracts).

- Revenue from the provision of wastewater treatment services is recognised at a point in time when services have been rendered.
- Revenue from the provision of consultancy services is recognised over the period of the contract with customers.
- The Group has assessed that its construction contracts qualify for overtime recognition as the waste treatment systems have no alternative use for the Group and the Group has enforceable rights to payment for performance completed to-date. The stage of completion is assessed by reference to the contract costs incurred to-date in proportion to the estimated contract costs of each contract.

(c) *Construction revenue*

Construction revenue relates to service concession arrangements entered by the subsidiaries in China with certain governing bodies of the government to construct and operate wastewater treatment plants. Such revenue is accounted for under SFRS(I) INT 12 Service Concession Arrangements. Construction revenue is recognised over time using the cost-based input method.

(d) *Rental income*

Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) *Interest income*

Interest income is recognised using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.24 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 associate, 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
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.24 Taxes (Continued)

(b) *Deferred tax (Continued)*

In assessing the recoverability and/or recognition of deferred tax assets, the Group shall recognise deferred tax assets at the end of the reporting period if it is probable that the entity having such unutilised losses can generate taxable profits for three consecutive financial years, before management can conclude that it is probable that the entity will have future taxable profits available to utilise these deferred tax assets.

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 liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) *Value added tax ("VAT") and Goods and Services Tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of VAT/GST except:

- Where the VAT/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT/GST 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 VAT/GST included.

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

2.25 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.

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.27 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.

2.28 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated 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 end of each reporting period. 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 periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) **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 the prior financial years, by virtue of ownership agreements entered with certain PRC individuals which resulted in changes to the Group's interest in its two subsidiaries based in PRC, the business registration files of these subsidiaries have not been amended accordingly to reflect the current shareholding structure.

Notes to the Financial Statements

For the financial year ended 31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (Continued)

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

Management has obtained legal advice that the current business registrations of the two subsidiaries do not expose the Group to any non-compliance with the PRC legal system. This understanding has been established and confirmed with the Group's appointed legal practitioner on an annual basis. Accordingly, the non-controlling interests are accounted for based on the equity interest in the concerned PRC entities taking into account the ownership agreements entered with the certain PRC individuals.

The equity interest attributable to the non-controlling interests of the two subsidiaries in PRC is approximately \$3,323,000 (2022: \$3,869,000).

(b) *Income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

(c) *Determination of control and joint control*

Determining if an investor has power requires judgment and taking into account all facts and circumstances.

Investment in Ichinose Emico Valves (S) Pte. Ltd.

The Group has a 50% direct equity interest in an entity, Ichinose Emico Valves (S) Pte. Ltd. ("Ichinose"), where the remaining 50% equity interest is equally held by two other unrelated parties. It is important to consider that the Group holds a large part of the votes, albeit not majority. There is no other single shareholder that holds more than the Group's voting interest in the investment. Further, it is noted that the relevant activities for the investment are decided by the board of directors, which is formed by two members appointed by the Group and remaining two from the other two shareholders. The Group's representative shall be appointed as chairman of board meetings and will be given a casting vote in the case of equality of votes. The quorum can be achieved through the attendance of 2 directors. Accordingly, management has determined that Ichinose is a subsidiary of the Group in view of the shareholder's rights and demonstration of control over the decisions of the relevant activities of the investment. Management has accounted for the investment in Ichinose as a subsidiary in accordance with Note 2.4 to the financial statements.

As at 31 December 2023, the carrying amount of the investment is \$363,000 (2022: \$363,000).

Notes to the Financial Statements

For the financial year ended 31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (Continued)

(d) Impairment of investments in subsidiaries and associates

The Group and Company carries significant investments in subsidiaries and associates at the end of the reporting period. Management exercises significant judgement in determining whether there is any indication that the subsidiaries and associates may have been impaired or an impairment loss recognised on the subsidiaries in prior periods may no longer exist or may have decreased.

This exercise requires management to consider both internal and external sources of information. The indicators of impairment in the above-mentioned investments include but are not limited to significant adverse changes on the entities, significant increase in market interest rates and a worse than expected economic performance of the investments during the financial year. In contrast, the indicators of a reversal of impairment include but are not limited to significant favourable changes on the entities, significant decrease in market interest rates and a better than expected economic performance of the investments during the financial year.

The carrying amounts of investments in subsidiaries and associates are disclosed in Notes 15 and 16 of the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with Note 2.4(b) and whenever events or changes in circumstances indicate that goodwill may be impaired. For the purposes of assessment impairment, 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 as described in Note 13 to the financial statements.

To determine whether there is an impairment of goodwill at the end of the reporting period, management has compared 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. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13.

(b) Provision of expected credit losses of trade receivables

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for customer.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

Notes to the Financial Statements

For the financial year ended 31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) Provision of expected credit losses of trade receivables (Continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. A 5% difference in the ECLs from management's estimates would result in approximately increase/decrease of \$600 (2022: \$700) in the Group's profit before tax. The information about the ECLs on the Group's trade receivables is disclosed in Note 40(a).

The carrying amount of trade receivables as at 31 December 2023 is \$19,218,000 (2022: \$18,705,000) [Note 21].

(c) Allowances for inventories

Inventories are stated at the lower of cost and net realisable value. In assessing the allowance for inventories, the Group takes into account the recent sales experience, the aging of inventories, the future market demand for their products and other factors that affect inventory obsolescence.

Based on management's estimate, inventories are fully provided for obsolescence if there are no sale movements within 4 years. At the end of the reporting period, an allowance for slow moving inventories of \$2,162,000 (2022: \$2,025,000) has been made. A 5% increase/decrease in the allowance for slow moving inventories estimated by management would result in a decrease/increase of \$108,000 (2022: \$101,000) in the Group's profit before tax. The carrying amount of inventories is disclosed in Note 20 of the financial statements.

(d) Impairment of investments in subsidiaries

Management has carried out a review of the recoverable amount of the investments in subsidiaries, with consideration to the existing performance of the relevant subsidiaries.

Management has estimated the recoverable amount based on the higher of value in use and fair value less costs of disposal. The recoverable amounts of investments in subsidiaries are assessed using the higher of fair value less costs of disposal which was determined by reference to the adjusted net asset value of the subsidiaries or value in use which was determined by reference to a discounted cash flow forecast.

The assessment has led to the reversal of allowance for impairment of investments in subsidiaries of \$3,425,000 (2022: \$3,166,000) during the financial year, as the financial position and financial performance of the subsidiaries have improved.

The carrying amount of investments in subsidiaries is disclosed in Note 15 of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2023

4. REVENUE

Disaggregation of revenue

Group

Segments	Sale of goods		Service income from environmental business		Construction revenue ⁽¹⁾		Total revenue		
	2023	2022	2023	2022	2023	2022	2023	2022	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
									[Represented] (Note 45)
Primary geographical markets									
Singapore	22,037	24,296	–	–	–	–	22,037	24,296	
People's Republic of China	–	15,064	12,720	12,074	620	3,854	13,340	30,992	
South Korea	–	565	–	–	–	–	–	565	
Malaysia and others	12,282	26,872	–	–	–	–	12,282	26,872	
	34,319	66,797	12,720	12,074	620	3,854	47,659	82,725	
Timing of transfer of goods or services									
At a point in time	34,319	66,797	12,720	12,074	620	–	47,659	78,871	
Over time	–	–	–	–	–	3,854	–	3,854	
	34,319	66,797	12,720	12,074	620	3,854	47,659	82,725	

(1) Amount relating to services for the construction of assets being operated under service concession rights arrangement is further described in Note 43.

Contract liabilities

	Group	
	2023 \$'000	2022 \$'000
Contract liabilities (Note 26)	–	1,225

Contract liabilities relates to advances received from customers for work that has not been performed.

	2023 \$'000	2022 \$'000
At the beginning of the financial year	1,225	3,675
Advances received from customers during the financial year	594	23,639
Revenue recognised during the financial year	(979)	(26,090)
Reclassified to disposal group classified as held for sale	(840)	–
Exchange differences	–	1
At the end of the financial year	–	1,225

Notes to the Financial Statements

For the financial year ended 31 December 2023

5. OTHER INCOME

	Note	Group	
		2023 \$'000	2022 \$'000
			[Represented] (Note 45)
Amortisation of government grants	28	70	68
Interest income		63	50
Income from government subsidies	A	181	918
Management fee income charged to external parties		165	197
Rental income		7	61
Reversal of accruals		72	–
Gain on disposal of property, plant and equipment		–	13
Gain on disposal of assets classified as held for sale		–	702
VAT refund income		51	106
Others		131	388
		740	2,503

Note A – Income from government subsidies

Government subsidies relate mainly to:

- Grant income received from government by the subsidiaries operating wastewater plants in the People's Republic of China;
- Wage Credit Scheme subsidy for Singaporeans' wages increment;
- Special Employment Credit subsidy for hiring Singaporeans aged above 50.

6. (WRITE-BACK)/ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Note	Group	
		2023 \$'000	2022 \$'000
Allowance/(write-back) on:			
– Trade receivables	21	12	(13)
– Other receivables	21	(27)	115
		(15)	102

Notes to the Financial Statements

For the financial year ended 31 December 2023

7. FINANCE COSTS

	Group	
	2023 \$'000	2022 \$'000
Interest expense on:		[Represented] (Note 45)
– Bank loans	1,281	1,054
– Lease liabilities [Note 12(c)]	148	143
	1,429	1,197

8. PROFIT BEFORE TAX

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

	Note	Group	
		2023 \$'000	2022 \$'000
			[Represented]
Amortisation of intangible assets	14	1,875	1,791
Loss on disposal of intangible assets		–	232
Bad debts written off		18	7
Impairment loss on property, plant and equipment	11	–	120
Depreciation of property, plant and equipment	11	880	913
Depreciation of right-of-use assets	12(a)	464	345
Directors' fees paid to the directors of the Company		110	110
Employee benefits expense	A	5,974	6,289
Net foreign exchange gain		(377)	(453)
Rental expenses relating to short-term leases	12(c)	18	36
Allowance for slow moving inventories	20	139	380
Write down of inventories to net realisable value	20	–	32
Property, plant and equipment written off		–	4
Audit fees:			
– Paid to Auditors of the Company		121	118
– Paid to member firms of Company's Auditors		88	87

Note A – Employee benefits expense

	Group	
	2023 \$'000	2022 \$'000
		[Represented]
Employee benefit expense (including directors):		
Salaries, bonuses and other benefits	5,433	5,776
Defined contribution plans	541	513
	5,974	6,289

Notes to the Financial Statements

For the financial year ended 31 December 2023

8. PROFIT BEFORE TAX (CONTINUED)

Presented in the consolidated income statement as:

	2023 \$'000	Group 2022 \$'000
		[Represented]
Cost of sales	219	155
Administrative expenses	5,360	5,746
Distribution expenses	395	388
	5,974	6,289

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2023 and 2022 are:

	2023 \$'000	Group 2022 \$'000
Consolidated income statement		
<i>Current taxation:</i>		
– Current income taxation	996	1,102
– Under provision in respect of prior years	27	13
	1,023	1,115
<i>Deferred taxation (Note 29):</i>		
– Origination and reversal of temporary differences	32	(81)
<i>Withholding tax expense</i>	91	–
Income tax expense attributable to continuing operations	1,146	1,034
Income tax expense attributable to discontinued operations [Note 24(b)]	34	36
Income tax expense recognised in profit or loss	1,180	1,070

Notes to the Financial Statements

For the financial year ended 31 December 2023

9. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2023 and 2022 are as follows:

	Group	
	2023	2022
	\$'000	\$'000
Profit before tax from continuing operations	5,701	8,285
Profit before tax from discontinued operation [Note 24(b)]	114	132
Profit before tax	5,815	8,417
Tax at domestic rates applicable to profits in the countries where the Group operates ⁽¹⁾	644	1,541
Tax adjustments:		
Non-deductible expenses	872	515
Income not subject to taxation	(16)	(180)
Income tax rebate	(40)	–
Effect of partial tax exemption	(183)	(352)
Tax effect of share of results of associates	(30)	(58)
Deferred tax assets not recognised	4	72
Enhanced allowance under Productivity and Innovation Scheme	(38)	(63)
Utilisation of previously unrecognised deferred tax assets	(182)	(242)
Benefits from previously unrecognised tax losses	–	(273)
Under provision of income tax in respect of prior years	27	13
Withholding tax on foreign sourced income	91	(6)
Others	31	103
Income tax expense recognised in profit or loss	1,180	1,070

(1) The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

(a) Entities incorporated in People's Republic of China ("PRC")

ChangXing Angwei Environmental & Ecological Engineering Co., Ltd, ChangXing AnnYi Wastewater Treatment Co., Ltd, ChangXing Lijiaxiang New Era Wastewater Treatment Co., Ltd and Shuanglin (Huzhou) Wastewater Treatment, Co. Ltd

As part of the PRC government's efforts to promote the development and growth of environmental-related businesses, the local tax authorities announced an incentive whereby the corporate tax rate for businesses engaged in environmental-related businesses will be reduced to 15%.

Other PRC entities

The applicable income tax rates for the remaining PRC entities are 5% and 25%.

Notes to the Financial Statements

For the financial year ended 31 December 2023

9. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between tax expense and accounting profit (Continued)

(b) *Entities incorporated in Singapore, South Korea and Malaysia*

The applicable income tax rate for Singapore, South Korea and Malaysia incorporated companies is 17%, 10% and 24% respectively.

(c) *Group relief*

The loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed tax losses to another company belonging to the same group, to be deducted against the assessable income of the latter company, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

(d) *Unrecognised tax losses, capital allowances and donations*

At the end of the reporting period, the Group has tax losses, capital allowances and donations of approximately \$6,939,000 (2022: \$7,996,000), \$282,000 (2022: \$282,000) and \$5,000 (2022: \$5,000) respectively that are available for offset against future taxable profits of the entities within the Group in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances are subject to the agreement of the tax authorities and compliance with certain provision of the tax legislations of the respective countries in which the companies operate. The tax losses and capital allowances in Singapore have no expiry date.

	Group	
	2023	2022
	\$'000	\$'000
Unutilised tax losses, capital allowances and donations pertaining to entities incorporated in Singapore	7,226	7,348
Unutilised tax losses, capital allowances pertaining to a subsidiary incorporated in Malaysia*	–	935
	7,226	8,283

* Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendments to Section 44(F) of Income Tax Act 1967, the time limit of the carried forward unutilised tax losses has been extended to maximum of 10 consecutive years of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (ie. from year of assessments 2019 to 2028).

Notes to the Financial Statements

For the financial year ended 31 December 2023

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit, net of tax, attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflect the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December 2023 and 2022:

	Group	
	2023	2022
Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share (\$'000):		
Continuing operations	3,195	5,500
Discontinued operations	50	26
	3,245	5,526
Number of shares ('000)		
Weighted average number of ordinary shares for basic earnings per share computation	288,520	287,876
Effect of dilution:		
Employee share option scheme	–	2,056
Weighted average number of ordinary shares for diluted earning per share computation	288,520	289,932
Earnings per share (cents per share)		
Basic		
Continuing operations	1.11	1.91
Discontinued operations	0.02	0.01
Diluted		
Continuing operations	1.11	1.90
Discontinued operations	0.02	0.01

Notes to the Financial Statements

For the financial year ended 31 December 2023

11. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Furniture, renovation, fixtures and equipment \$'000	Construction- in-progress \$'000	Total \$'000
Cost:						
At 1 January 2022	15,946	4,248	1,371	1,282	–	22,847
Additions	–	41	25	38	–	104
Disposals	–	(117)	(2)	(2)	–	(121)
Written off	–	(139)	–	(10)	–	(149)
Reclassified to right-of- use assets (Note 12)	–	(76)	–	–	–	(76)
Exchange differences	–	(16)	(68)	(17)	–	(101)
At 31 December 2022 and 1 January 2023	15,946	3,941	1,326	1,291	–	22,504
Additions	–	101	–	111	345	557
Reclassified to disposal group classified as held for sale [Note 24(b)]	–	(22)	(53)	(41)	–	(116)
Exchange differences	–	(37)	(5)	(13)	(3)	(58)
At 31 December 2023	15,946	3,983	1,268	1,348	342	22,887
Accumulated depreciation:						
At 1 January 2022	4,423	2,359	1,158	1,147	–	9,087
Depreciation charge for the financial year:						
– Continuing operations (Note 8)	539	243	93	38	–	913
– Discontinued operations	–	6	5	5	–	16
Disposals	–	(93)	(2)	(2)	–	(97)
Written off	–	(134)	–	(9)	–	(143)
Reclassified to right-of- use assets (Note 12)	–	(3)	–	–	–	(3)
Exchange differences	–	(6)	(43)	(17)	–	(66)
At 31 December 2022 and 1 January 2023	4,962	2,372	1,211	1,162	–	9,707
Depreciation charge for the financial year:						
– Continuing operations (Note 8)	539	222	77	42	–	880
– Discontinued operations	–	3	–	4	–	7
Reclassified to disposal group classified as held for sale [Note 24(b)]	–	(18)	(48)	(29)	–	(95)
Exchange differences	–	(16)	–	(12)	–	(28)
At 31 December 2023	5,501	2,563	1,240	1,167	–	10,471

Notes to the Financial Statements

For the financial year ended 31 December 2023

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Furniture, renovation, fixtures and equipment \$'000	Construction- in-progress \$'000	Total \$'000
Accumulated impairment loss:						
At 1 January 2022	–	743	–	–	–	743
Impairment loss for the financial year (Note 8)	–	120	–	–	–	120
Disposals	–	(12)	–	–	–	(12)
Written off	–	(2)	–	–	–	(2)
Exchange differences	–	(6)	–	–	–	(6)
At 31 December 2022 and 1 January 2023	–	843	–	–	–	843
Exchange differences	–	(13)	–	–	–	(13)
At 31 December 2023	–	830	–	–	–	830
Carrying amount:						
At 31 December 2022	10,984	726	115	129	–	11,954
At 31 December 2023	10,445	590	28	181	342	11,586

Company	Office equipment \$'000
Cost:	
At 1 January 2022	15
Additions	3
At 31 December 2022, 1 January 2023 and 31 December 2023	18
Accumulated depreciation:	
At 1 January 2022	3
Depreciation charge for the financial year	4
At 31 December 2022 and 1 January 2023	7
Depreciation charge for the financial year	3
At 31 December 2023	10
Carrying amount:	
At 31 December 2022	11
At 31 December 2023	8

The cash outflow on acquisition of property, plant and equipment amounted to \$557,000 (2022: \$104,000).

Assets pledged as security

At the reporting date, the Group's buildings with a carrying amount of \$10,445,000 (2022: \$10,984,000) are mortgaged to secure the Group's bank loans (Note 27).

Particulars of properties held by the Group as at 31 December 2023 are as follows:

Location	Description
52 Tuas Avenue 9, Singapore 639193	One 2-storey office building with a single storey warehouse attached and one 2-storey warehouse with mezzanine floor built on land area of 11,633 square meters

Notes to the Financial Statements

For the financial year ended 31 December 2023

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group has lease contracts for various items of leasehold land, land use rights, motor vehicles and plant and equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

(a) Carrying amount of right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Leasehold land \$'000	Land use rights \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
Cost:					
At 1 January 2022	2,856	1,796	629	98	5,379
Additions	142	–	–	253	395
Reclassified from property, plant and equipment (Note 11)	–	–	–	76	76
Exchange differences	–	(152)	(3)	(7)	(162)
At 31 December 2022 and 1 January 2023	2,998	1,644	626	420	5,688
Additions	–	–	–	320	320
Reclassified to disposal group classified as held for sale	–	–	–	(54)	(54)
Exchange differences	–	(64)	(1)	(9)	(74)
At 31 December 2023	2,998	1,580	625	677	5,880
Accumulated depreciation:					
At 1 January 2022	357	425	351	56	1,189
Depreciation charge for the financial year:					
– Continuing operations (Note 8)	119	36	108	82	345
– Discontinued operations	–	–	–	19	19
Reclassified from property, plant and equipment (Note 11)	–	–	–	3	3
Exchange differences	–	(36)	(2)	(3)	(41)
At 31 December 2022 and 1 January 2023	476	425	457	157	1,515
Depreciation charge for the financial year:					
– Continuing operations (Note 8)	126	36	89	213	464
– Discontinued operations	–	–	–	5	5
Reclassified to disposal group classified as held for sale	–	–	–	(54)	(54)
Exchange differences	–	(9)	(1)	(5)	(15)
At 31 December 2023	602	452	545	316	1,915
Carrying amount:					
At 31 December 2022	2,522	1,219	169	263	4,173
At 31 December 2023	2,396	1,128	80	361	3,965

Notes to the Financial Statements

For the financial year ended 31 December 2023

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities:

	Group	
	2023 \$'000	2022 \$'000
Current	264	324
Non-current	2,784	2,763
	3,048	3,087

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2022 \$'000	Cash flows \$'000	Non-cash changes				2023 \$'000
			New leases \$'000	Foreign exchange movement \$'000	Accretion of interest \$'000	Others \$'000	
Lease liabilities							
– current	324	(493)	320	–	148	(35)	264
– non-current	2,763	–	–	(14)	–	35	2,784

	2021 \$'000	Cash flows \$'000	Non-cash changes				2022 \$'000
			New leases \$'000	Foreign exchange movement \$'000	Accretion of interest \$'000	Others \$'000	
Lease liabilities							
– current	172	(386)	391	–	143	4	324
– non-current	2,731	–	40	(4)	–	(4)	2,763

The 'others' column relates to reclassification of non-current portion of lease liabilities due to passage of time.

(c) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	2023 \$'000	2022 \$'000
Depreciation expense of right-of-use assets	469	364
Interest expense on lease liabilities (Note 7)	148	143
Expense relating to short-term leases (included in administrative expenses) [Note 8]	18	36
Total amount recognised in profit or loss	635	543

(d) Total cash outflow

The Group had total cash outflows for leases of \$511,000 (2022: \$422,000) for the financial year ended 31 December 2023.

Notes to the Financial Statements

For the financial year ended 31 December 2023

13. GOODWILL

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from that business combination. The carrying amount of the goodwill that is associated with the Group's wastewater treatment business is as follows:

	Group	
	2023 \$'000	2022 \$'000
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd (AngWei Enviro) and its subsidiaries ⁽¹⁾	497	497

(1) Comprising the wastewater treatment business of its subsidiaries, arising from the service concession rights granted by the People's Republic of China government as disclosed in Note 43 to the financial statements.

The recoverable amount of AngWei Enviro Group has been determined based on value in use calculation using cash flow projections from the financial budgets approved by management. This cash flow projections cover the remaining concession periods, useful lives of the wastewater treatment plant as well as the rights to draw water operated by the CGU, ranging from 15 – 24 years (2022: 16 – 25 years).

Key assumptions used for the value in use calculation

	Group	
	2023 %	2022 %
Revenue growth rate ⁽¹⁾	0	0
Pre-tax discount rate ⁽²⁾	10	7
Budgeted gross profit margins ⁽³⁾	43 – 55	25 – 58

(1) Projected revenue for wastewater treatment plant is based on government guarantee stated in the service concession agreement with the local government.

(2) Pre-tax discount rate was determined with reference to the discount rates used by industry peers which is based on weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity used by entities in similar industries.

(3) Budgeted gross profit margins is based on results achieved in the year preceding the start of the budget period.

Sensitivity to changes in key assumptions:

With regards to the assessment of value in use for AngWei Enviro, management believes that no reasonable possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Notes to the Financial Statements

For the financial year ended 31 December 2023

14. INTANGIBLE ASSETS

Group	Patent rights \$'000	Concession rights \$'000	Technical know-how \$'000	Total \$'000
Cost:				
At 1 January 2022	3,732	48,353	405	52,490
Additions	–	3,830	–	3,830
Written off	–	(349)	–	(349)
Exchange differences	–	(4,082)	(17)	(4,099)
At 31 December 2022 and 1 January 2023	3,732	47,752	388	51,872
Additions	–	1,712	–	1,712
Exchange differences	–	(1,854)	(15)	(1,869)
At 31 December 2023	3,732	47,610	373	51,715
Accumulated amortisation:				
At 1 January 2022	2,375	11,178	405	13,958
Amortisation charge for the financial year (Note 8)	339	1,452	–	1,791
Written off	–	(102)	–	(102)
Exchange differences	–	(955)	(17)	(972)
At 31 December 2022 and 1 January 2023	2,714	11,573	388	14,675
Amortisation charge for the financial year (Note 8)	339	1,536	–	1,875
Exchange differences	–	(451)	(15)	(466)
At 31 December 2023	3,053	12,658	373	16,084
Carrying amount:				
At 31 December 2022	1,018	36,179	–	37,197
At 31 December 2023	679	34,952	–	35,631

Company	Patent rights \$'000
Cost:	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	3,732
Accumulated amortisation:	
At 1 January 2022	2,375
Amortisation charge for the financial year	339
At 31 December 2022 and 1 January 2023	2,714
Amortisation charge for the financial year	339
At 31 December 2023	3,053
Carrying amount:	
At 31 December 2022	1,018
At 31 December 2023	679

Patent rights

The patent rights relate to the rights to use the Biological Trickling Filter patent in relation to rural wastewater treatment. The rights are amortised on a straight-line basis over the remaining contractual life of 3 (2022: 4) years, until 31 March 2026.

Notes to the Financial Statements

For the financial year ended 31 December 2023

14. INTANGIBLE ASSETS (CONTINUED)

Concession rights

The Group has service concession rights from and obligations to certain governing bodies and agencies in the People's Republic of China to construct and operate industrial wastewater treatment plants in Lijiexiang Town, Zhicheng Town, Lincheng Town, Wushan Town and Shuanglin Town, Zhejiang Province in the People's Republic of China for pre-determined periods. These concession rights are for periods of 27 to 50 years (Note 43).

The cost of the concession rights is amortised on a straight-line basis over the concession period from the commencement of the operations of each respective plant and is charged to cost of sales in the consolidated income statement. Concession rights have an estimated remaining useful life of 13 to 45 years (2022: 14 to 46 years) at the end of the financial year.

Technical know-how

This refers to 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 consolidated income statement. Technical know-how has been fully amortised.

Cash outflow on acquisition of intangible assets

The cash outflow on the acquisition of intangible assets during the financial year amounted to \$1,712,000 (2022: \$3,830,000).

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023	2022
	\$'000	\$'000
Unquoted equity shares, at cost	27,838	27,731
Less: Allowance for impairment	(3,947)	(7,372)
	23,891	20,359
Loans and receivables		
Amount due from subsidiaries (non-trade)	6,157	6,157
Carrying amount of investments in subsidiaries	30,048	26,516

The amount due from subsidiaries are unsecured, non-interest bearing, repayable at the option of the subsidiaries, not expected to be repaid within the next 12 months and is to be settled in cash.

Movements in the allowance for impairment for investments in subsidiaries are as follows:

	Company	
	2023	2022
	\$'000	\$'000
At 1 January	7,372	10,538
Reversal [Note 15(f)]	(3,425)	(3,166)
At 31 December	3,947	7,372

Notes to the Financial Statements

For the financial year ended 31 December 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group

The Group has the following investments in subsidiaries:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023 %	2022 %
<i>Held by the Company</i>				
AnnAik & Partners (S) Pte. Ltd. (AA Partners) ⁽¹⁾	Singapore	Investment holding	100	100
Anxon Eco Holdings Pte. Ltd. (Anxon Eco) ⁽¹⁾	Singapore	Investment holding	100	100
Anxon Engineering Pte. Ltd. ⁽¹⁾	Singapore	Designing, contracting and management of engineering projects	100	100
Anxon Environmental Pte. Ltd. (Anxon Enviro) ⁽¹⁾	Singapore	Investment holding	100	100
Anxon Oasis Pte. Ltd. ⁽¹⁾	Singapore	Marketing and sale of steel related products	100	100
Anxon Envirotech Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100	100
Ann Aik Pte. Ltd. ⁽¹⁾	Singapore	Marketing and sale of steel related products	100	100
Pioneer Environmental Technology Pte. Ltd. (Pioneer) ⁽⁷⁾⁽⁸⁾	Singapore	Development of environmental technologies and environmental engineering	51	51
Shinsei Holdings Pte. Ltd. (SHPL) ⁽¹⁾	Singapore	Investment holding	100	100
Ichinose Emico Valves (S) Pte. Ltd. ⁽¹⁾	Singapore	Marketing and sale of steel related products	50	50
Metal Wang Pte. Ltd. (MWPL) ⁽¹⁾⁽⁵⁾	Singapore	Wholesale of metals and metal ores	100	75
<i>Held through AA Partners</i>				
AnnAik Pipes & Fittings (Shanghai) Co., Ltd. (AA Shanghai) ⁽²⁾	People's Republic of China (PRC)	Marketing and sale of steel related products and provision of import and export agency services	100	100

Notes to the Financial Statements

For the financial year ended 31 December 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023 %	2022 %
<i>Held through AA Shanghai</i>				
ZheJiang ShengTai Environmental Technology Co., Ltd. ⁽²⁾	PRC	Development of environmental technologies and environmental engineering	55	55
<i>Held through Anxon Enviro</i>				
AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. (AngWei Enviro) ⁽²⁾	PRC	Owning and management of wastewater treatment plants	66	66
ChangXing AngWei Environmental & Ecological Engineering Co., Ltd. (CXAW) ⁽²⁾	PRC	Owning and management of wastewater treatment plants	66	66
Shuanglin (Huzhou) Wastewater Treatment Co., Ltd. (Shuanglin) ⁽²⁾	PRC	Owning and management of wastewater treatment plants	62	62
<i>Held through Anxon Eco</i>				
ChangXing LinSheng Wastewater Treatment Co., Ltd. (CXLS) ⁽²⁾	PRC	Owning and management of wastewater treatment plant	88	88
<i>Held through CXLS</i>				
ChangXing Wusheng Wastewater Treatment Co., Ltd. ⁽²⁾	PRC	Owning and management of wastewater treatment plant	88	88
ChangXing LinYi Wastewater Treatment Co., Ltd. ⁽²⁾	PRC	Owning and management of wastewater treatment plant	70	70
<i>Held by SHPL</i>				
Shinsei Industry Sdn. Bhd. ⁽³⁾	Malaysia	Production of steel flanges and related products	100	100
<i>Held by AngWei Enviro</i>				
ChangXing Lijiaxiang New Era Wastewater Treatment Co., Ltd. (LJX) ⁽²⁾	PRC	Owning and management of wastewater treatment plant	66	66

Notes to the Financial Statements

For the financial year ended 31 December 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (Continued)

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023 %	2022 %
Held by Pioneer				
Suzhou Pioneer Environmental Technology Pte. Ltd. ⁽⁶⁾⁽⁷⁾⁽⁸⁾	PRC	Development of environmental technologies and environmental engineering	46	41
Pionilontek Linergy (India) Private Limited ⁽⁷⁾⁽⁸⁾	India	Provision of environmental engineering services and new energy related business	51	–
Held by MWPL				
Handel Co., Ltd. ⁽⁴⁾	South Korea	Wholesale of metals and metal ores	60	45
Held through LJX				
ChangXing Annyi Wastewater Treatment Co., Ltd. (CXAY) ⁽²⁾	PRC	Owning and management of wastewater treatment plant	66	66
ChangXing Hengyi Wastewater Treatment Co., Ltd. ⁽²⁾	PRC	Owning and management of wastewater treatment plant	66	66

(1) Audited by UHY Lee Seng Chan & Co, Singapore.

(2) Audited by ZhongHua Certified Public Accountants LLP, People's Republic of China, for the purpose of inclusion of the entities' results into the Group's consolidated financial statements.

(3) Audited by UHY Chartered Accountants, Penang, Malaysia.

(4) The entity has ceased its business operations on 13 October 2022 and is in the process of winding up.

(5) The Group held an interest of 75% before acquiring the remaining 25% equity interest during the financial year.

(6) The Group held an interest of 41% before acquiring an additional 5% equity interest during the financial year.

(7) Date of disposal was deemed to be on 30 September 2023 [Note 24(b)].

(8) The unaudited management accounts have been reviewed by UHY Lee Seng Chan & Co, Singapore for consolidation purposes, as they are not material to the Group.

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and bank balances of \$6,407,000 (2022: \$8,879,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends.

Notes to the Financial Statements

For the financial year ended 31 December 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Acquisition of ownership interest in a subsidiary, without loss of control

On 6 July 2023, the Company acquired the remaining 25% equity interest in Metal Wang Pte Ltd (MWPL) from its non-controlling interests for a consideration of \$107,000.

Following the acquisition, MWPL became a wholly-owned subsidiary of the Company which resulted in the effective equity interest in its subsidiary, Handel Co., Ltd, being increased from 45% to 60%.

On 31 August 2023, the Company's 51% owned subsidiary, Pioneer Environmental Technology Pte. Ltd. acquired an additional 10% of equity interest in Suzhou Pioneer Environmental Technology Pte. Ltd. for a consideration of \$25,000.

In the previous financial year:

- The Company acquired the remaining 8% equity interest in Shinsei Holdings Pte Ltd (SHPL) from its non-controlling interests for a cash consideration of \$274,000, which is the carrying amount of the non-controlling interests acquired.
- The Company acquired the remaining 45% equity interest in Anxon Engineering Pte Ltd (AXENG) from its non-controlling interests for a cash consideration of \$1.

Following the acquisition, SHPL and AXENG became wholly-owned subsidiaries of the Company.

(c) Capital reduction by a subsidiary, without a change in control

In the previous financial year, a subsidiary of the Group and the non-controlling interest received \$513,000 and \$265,000 respectively from AngWei Environmental Ecological & Engineering (Shanghai) Co., Ltd. (AngWei Enviro), being proceeds from capital reduction from AngWei Enviro.

(d) Incorporation of a subsidiary

On 27 April 2023, the Company through its 51% owned subsidiary, Pioneer Environmental Technology Pte. Ltd. (Pioneer) incorporated a subsidiary, Pionilontek Linergy (India) Private Limited with a paid-up capital of IDR600,000 (equivalent to \$9,780).

As disclosed in Note 24(b), Pioneer and its subsidiaries were disposed of to a third party and the date of disposal was deemed to be on 30 September 2023.

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(e) Subsidiaries with material non-controlling interests (NCI)

The Group has the following subsidiaries that have material non-controlling interests.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000
31 December 2023				
Shuanglin	PRC	38	268	3,493
CXAW	PRC	34	344	2,732
CXAY	PRC	34	328	2,770
LJX	PRC	34	509	2,945
31 December 2022				
Shuanglin	PRC	38	353	4,241
CXAW	PRC	34	329	2,683
CXAY	PRC	34	296	2,806
LJX	PRC	34	461	2,716

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Shuanglin		CXAW	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current				
Assets	4,719	6,668	3,355	3,413
Liabilities	(1,669)	(2,217)	(2,010)	(1,501)
Net current assets	3,050	4,451	1,345	1,912
Non-current				
Assets	8,039	6,737	7,418	8,061
Liabilities	(1,898)	(27)	(727)	(2,083)
Net non-current assets	6,141	6,710	6,691	5,978
Net assets	9,191	11,161	8,036	7,890

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(e) Subsidiaries with material non-controlling interests (NCI) (Continued)

Summarised balance sheets (Continued)

	CXAY		LJX	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current				
Assets	5,064	5,163	3,568	4,163
Liabilities	(284)	(554)	(3,498)	(4,789)
Net current assets/(liabilities)	4,780	4,609	70	(626)
Non-current				
Assets	3,368	3,644	9,594	9,883
Liabilities	–	–	(1,003)	(1,269)
Net non-current assets	3,368	3,644	8,591	8,614
Net assets	8,148	8,253	8,661	7,988

Summarised income statement and statement of comprehensive income

	Shuanglin		CXAW	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue	2,598	4,983	2,701	2,614
Profit before tax	836	1,051	1,192	1,168
Tax expense	(131)	(121)	(179)	(200)
Profit after tax, representing total comprehensive income	705	930	1,013	968

	CXAY		LJX	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue	2,050	2,035	3,311	3,250
Profit before tax	1,092	1,026	2,038	1,548
Tax expense	(128)	(154)	(306)	(192)
Profit after tax, representing total comprehensive income	964	872	1,732	1,356

Notes to the Financial Statements

For the financial year ended 31 December 2023

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(e) Subsidiaries with material non-controlling interests (NCI) (Continued)

Other summarised information

	Shuanglin		CXAW	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Net cash flows from operations	1,520	652	511	1,454
Acquisition of significant property, plant and equipment	–	–	1	1
	<hr/>			
	CXAY		LJX	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Net cash flows from operations	1,280	1,118	1,639	1,004
Acquisition of significant property, plant and equipment	–	–	1	–
	<hr/>			

(f) Impairment testing of investments in subsidiaries

During the financial year, management carried out a review of the recoverable amount of its investments in subsidiaries. The review led to the reversal of impairment loss of \$3,425,000 recognised in profit or loss for the financial year ended 31 December 2023 (2022: \$3,166,000), as the financial position and financial performance of the subsidiaries have improved.

16. INVESTMENTS IN ASSOCIATES

	Group	
	2023 \$'000	2022 \$'000
Shanghai Onway Environmental Development Co., Ltd Group	9,824	10,199
Wuhan Pioneer Environmental Technology Co., Ltd	–	139
	9,824	10,338

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16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The details of the investments in associates are summarised below:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership	
			2023 %	2022 %
<i>Held through Anxon Envirotech</i>				
Shanghai Onway Environmental Development Co., Ltd (Shanghai Onway) ⁽¹⁾	People's Republic of China (PRC)	Provision of equipment in rural wastewater treatment	25	25
<i>Held through Shanghai Onway</i>				
ZheJiang XinYu Environmental Technology Pte Ltd ⁽¹⁾	PRC	Provision of engineering, procurement and construction ("EPC") activities in relation to wastewater treatment	25	25
<i>Held through Suzhou Pioneer</i>				
Wuhan Pioneer Environmental Technology Co., Ltd ⁽²⁾	PRC	Environmental engineering services, developing environmental technologies and environmental engineering project	30	30

(1) Audited by ZhongHua Certified Public Accountants LLP, People's Republic of China, for the purpose of inclusion of the entities' results into the Group's consolidated financial statements.

(2) Date of disposal was deemed to be on 30 September 2023 [Note 24(b)].

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16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The summarised financial information of material associates based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Shanghai Onway Group	
	2023 \$'000	2022 \$'000
Summarised balance sheet		
Current assets	44,531	44,467
Non-current assets	21,527	23,082
Total assets	66,058	67,549
Current liabilities	8,374	7,358
Non-current liabilities	13,207	14,403
Total liabilities	21,581	21,761
Net assets	44,477	45,788
Non-controlling interest of Shanghai Onway Group	(5,179)	(4,991)
Net assets attributable to the Group	39,298	40,797
Proportion of the Group's ownership	25%	25%
Carrying amount of the investment	9,824	10,199

Summarised income statement and statement of comprehensive income

	Shanghai Onway Group	
	2023 \$'000	2022 \$'000
Revenue	6,280	8,683
Profit after tax	644	1,632
Other comprehensive loss	(2,143)	(3,599)
Total comprehensive loss	(1,499)	(1,967)

17. INVESTMENT SECURITIES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
At fair value through other comprehensive income				
– Equity securities (unquoted)				
Unquoted investment ⁽¹⁾	–	–	–	–
Series A of Atlas Fund, LLC., ⁽²⁾	–	67	–	–
	–	67	–	–

Investment securities comprise the following:

- (1) The Company holds 17.6% equity interest in an unquoted investment which is incorporated in Singapore. The investee is engaged in property development activities in the People's Republic of China. Given the investee company is loss making and is in a significant net liability position, management has accorded a Nil balance for the investment.
- (2) On 22 June 2021, the Company's wholly owned subsidiary, AnnAik & Partners (S) Pte Ltd subscribed to 2.85% membership interest in Series A of Atlas Fund, LLC., incorporated in Delaware, for a consideration of \$67,000. Management is of the view that the fair value of this investment is approximately Nil as at the end of the reporting period.

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17. INVESTMENT SECURITIES (CONTINUED)

The Group and the Company have elected to measure the equity securities at fair value through other comprehensive income due to the Group and the Company's intention to hold these equity instruments as long-term investments.

18. CLUB MEMBERSHIP

	Group and Company	
	2023	2022
	\$'000	\$'000
Club membership, at cost (indefinite life)	190	190

19. REFUNDABLE DEPOSITS

These are funds deposited with the respective town governments in the ChangXing County, Zhejiang Province, People's Republic of China 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 are not expected to be refundable to the Group within the next twelve months.

20. INVENTORIES

	Group	
	2023	2022
	\$'000	\$'000
Balance sheet		
Raw materials	84	86
Work-in-progress	–	5
Trading goods	21,811	25,011
At cost or net realisable value	21,895	25,102
Income statement		
Inventories recognised as an expense in cost of sales	24,237	22,549
Inclusive of the following charge:		
– Write down of inventories stated at net realisable value (Note 8)	–	32
– Allowance for slow moving inventories (Note 8)	139	380

Inventories are stated net of allowance for slow moving inventories of \$2,162,000 (2022: \$2,025,000).

Movement in allowance for slow moving inventories at end of the financial year:

	Group	
	2023	2022
	\$'000	\$'000
At beginning of the financial year	2,025	1,647
Allowance made during the financial year (Note 8)	139	380
Exchange differences	(2)	(2)
At the end of the financial year	2,162	2,025

Notes to the Financial Statements

For the financial year ended 31 December 2023

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<u>Trade receivables</u>				
External parties	20,053	19,641	–	–
Less: Loss allowance provision	(835)	(936)	–	–
	19,218	18,705	–	–
<u>Other receivables</u>				
Non-trade receivables	447	582	255	262
Less: Loss allowance provision	(302)	(330)	(233)	(262)
	145	252	22	–
VAT/GST receivables	591	635	–	–
Advances to suppliers for trade purchase	971	859	–	–
Amounts due from related parties	43	49	–	–
Refundable deposits	169	131	–	–
	1,919	1,926	–	–
Total trade and other receivables	21,137	20,631	22	–

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 150 days' terms (2022: 30 to 150 days' terms). They are recognised at their original amounts which represent their fair values on initial recognition.

Amounts due from related parties

The amounts due from related parties amounting to \$43,000 (2022: \$49,000) are non-interest bearing, repayable on demand and are to be settled in cash.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2023 \$'000	2022 \$'000
Movement in allowance accounts:		
At 1 January	936	967
Charge for the financial year (Note 6)	12	–
Written back (Note 6)	–	(13)
Written off against allowance	(58)	–
Reclassified to disposal group classified as held for sale	(49)	–
Exchange differences	(6)	(18)
At 31 December	835	936

Notes to the Financial Statements

For the financial year ended 31 December 2023

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected credit losses (Continued)

The movement in allowance for expected credit losses of non-trade receivables computed based on 12-month ECL are as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Movement in allowance accounts:				
At 1 January	330	222	262	154
Charge for the financial year (Note 6)	–	115	–	115
Written back (Note 6)	(27)	–	(27)	–
Exchange differences	(1)	(7)	(2)	(7)
At 31 December	302	330	233	262

Trade and other receivables denominated in foreign currency at 31 December 2023 and 2022 are as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
United States dollars:				
– Trade receivables	538	443	–	–
– Other receivables	122	269	–	–
Chinese renminbi:				
– Trade receivables	13,733	12,507	–	–
– Other receivables	1,257	1,387	–	–

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND ASSOCIATES

Amounts due from subsidiaries

	Company	
	2023 \$'000	2022 \$'000
Amounts due from subsidiaries	10,293	11,086

The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Amounts due from subsidiaries denominated in foreign currency are as follows:

	Company	
	2023 \$'000	2022 \$'000
United States dollars	2,554	2,996

Notes to the Financial Statements

For the financial year ended 31 December 2023

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Amounts due to subsidiaries and associates

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Amounts due to subsidiaries	–	–	476	465
Amounts due to associates	374	326	–	–
	374	326	476	465

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

23. CASH AND BANK BALANCES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash at banks and on hand	9,574	13,992	711	305
Fixed deposit	1,499	1,010	–	–
	11,073	15,002	711	305

Cash and bank balances denominated in foreign currency at 31 December 2023 and 2022 are as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
United States dollars	2,017	2,205	492	82
Chinese renminbi	6,407	8,847	–	–

For the purpose of presenting the consolidated of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

	Group	
	2023 \$'000	2022 \$'000
Cash and bank balances:		
– Continuing operations	11,073	15,002
– Discontinued operations [Note 24(b)]	1,153	–
Representing cash and cash equivalents in the consolidated cash flow statement	12,226	15,002

Notes to the Financial Statements

For the financial year ended 31 December 2023

24. DISCONTINUED OPERATIONS AND ASSETS OR DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) *Assets classified as held for sale*

In the previous financial year, a subsidiary of the Group entered into a sales and purchase agreement with a third party to sell its freehold land, a building and certain equipment. Accordingly, these assets were classified as held for sale. The disposal was completed on 28 February 2022 and the Group received proceeds of \$10,279,000 (equivalent to MYR33,491,200). This resulted in a gain on disposal of \$702,000 (Note 5).

	Group	
	2023 \$'000	2022 \$'000
At 1 January	–	9,619
Disposals	–	(9,577)
Exchange difference	–	(42)
At 31 December	–	–

(b) *Discontinued operations and disposal group classified as held for sale*

On 13 December 2023, the Company entered into a sale and purchase agreement in relation to the disposal of all the Company's shares in Pioneer Environmental Technology Pte. Ltd., a 51% owned subsidiary of the Company and its subsidiaries and associated companies (Pioneer Group) for a consideration of \$220,000 that is receivable on the completion of the transaction. The date of disposal was deemed to be on 30 September 2023 which was the date used to determine the net asset value of Pioneer Group.

The transaction is expected to be completed within the next twelve months once condition precedents are fulfilled. Accordingly, the entire assets and liabilities related to Pioneer Group were classified as a disposal group held for sale and were presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" as at 31 December 2023. Pioneer Group's financial results for the financial period up to 30 September 2023 (2022: financial year ended 31 December 2022) were presented separately in the consolidated income statement and statement of comprehensive income as "Profit from discontinued operations".

Notes to the Financial Statements

For the financial year ended 31 December 2023

24. DISCONTINUED OPERATIONS AND ASSETS OR DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Discontinued operations and disposal group classified as held for sale (Continued)

The financial results of the discontinued operations in relation to Pioneer Group for the financial period ended 30 September 2023 and financial year ended 31 December 2022 are as follows:

	Group	
	1 January 2023 to 30 September	
	2023	2022
	\$'000	\$'000
Revenue	2,741	5,085
Cost of sales	(2,154)	(4,272)
Gross profit	587	813
Other operating income	140	156
Distribution expenses	(247)	(246)
Administrative expenses	(354)	(551)
Other operating expenses	(3)	(15)
Share of profit of associate	(9)	(24)
Finance costs	—	(1)
Profit before tax (Note 9)	114	132
Income tax expense (Note 9)	(34)	(36)
Profit for the financial year	80	96

The carrying amount of assets and liabilities of Pioneer Group as at 31 December 2023 are as follows:

	Group 2023 \$'000
Assets	
Cash and bank balances (Note 23)	1,153
Trade receivables	1,278
Other receivables	894
Prepayments	7
Property, plant and equipment (Note 11)	21
Investment in associate	147
Assets of disposal group classified as held for sale	3,500
Liabilities	
Trade payables	877
Other payables and accruals	2,163
Provision for income tax	103
Liabilities directly associated with disposal group classified as held for sale	3,143
Net assets of disposal group classified as held for sale	357

Notes to the Financial Statements

For the financial year ended 31 December 2023

24. DISCONTINUED OPERATIONS AND ASSETS OR DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Discontinued operations and disposal group classified as held for sale (Continued)

The impact of the discontinued operations on the cash flows of the Group for the financial period ended 30 September 2023 and financial year ended 31 December 2022 are as follows:

	Group	
	1 January 2023 to 30 September 2023 \$'000	2022 \$'000
Operating cash flows	(629)	1,468
Investing cash flows	(4)	14
Financing cash flows	(5)	(21)
Net cash (outflows)/inflows	(638)	1,461

25. TRADE PAYABLES

	Group	
	2023 \$'000	2022 \$'000
Trade payables – third parties	2,189	3,443

Trade payables are non-interest bearing and are generally on 2 to 3 months (2022: 2 to 3 months) credit term.

Trade payables denominated in foreign currency at 31 December 2023 and 2022 are as follows:

	Group	
	2023 \$'000	2022 \$'000
United States dollars	1,002	1,067
Chinese renminbi	965	1,836

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Non-current:				
Other payables	33	34	–	–
Current:				
Accrued expenses	2,107	2,081	979	1,123
Accrued directors' fees	110	110	110	110
Deposits from customers	733	758	–	–
Contract liabilities (Note 4)	–	1,225	–	–
VAT/GST payables	338	322	10	9
Other payables	2,936	3,790	39	39
	6,224	8,286	1,138	1,281
Total other payables and accruals	6,257	8,320	1,138	1,281

Notes to the Financial Statements

For the financial year ended 31 December 2023

26. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Included in current other payables is an amount \$791,000 (2022: \$2,121,000) pertaining to construction costs payable by the Group's PRC subsidiaries to contractors, in respect of their wastewater treatment plants.

Other payables and accruals denominated in foreign currency at 31 December 2023 and 2022 are as follows:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
United States dollars	75	161	–	–
Chinese renminbi	3,221	4,556	–	–

27. LOANS AND BORROWINGS

	Note	Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current:					
<i>Bank loans:</i>					
– Revolving SGD loan facilities	(a)	–	1,500	–	–
– Secured RMB term loans	(b)	2,344	1,478	–	–
– Unsecured RMB term loans	(c)	187	204	–	–
– Secured SGD term loans	(d)	1,902	2,402	–	–
– Unsecured SGD term loans	(e)	260	616	260	616
		4,693	6,200	260	616
<i>Other loans and borrowings:</i>					
Bills payable – for trade purpose		5,732	7,139	–	–
Government loans		156	357	–	–
		10,581	13,696	260	616
Non-current:					
<i>Bank loans:</i>					
– Secured RMB term loans	(b)	4,270	4,550	–	–
– Secured SGD term loans	(d)	7,244	9,148	–	–
– Unsecured SGD term loans	(e)	252	512	252	512
		11,766	14,210	252	512
Total loans and borrowings		22,347	27,906	512	1,128

Notes to the Financial Statements

For the financial year ended 31 December 2023

27. LOANS AND BORROWINGS (CONTINUED)

The Group has the following outstanding bank loans:

- (a) Revolving SGD loan facilities of \$1,500,000 was secured by a corporate guarantee from the Company. The loans bear fixed interests ranging from 1.55% to 5.63% per annum. The loan was fully repaid during the financial year.
- (b) Secured RMB term loans comprising:
- Term loan of RMB6,182,000 or \$1,155,000 equivalent (2022: RMB7,636,000 or \$1,484,000 equivalent) is secured by corporate guarantee by the Company, bearing interest at a floating rate of 30% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 9 instalments with the first repayment instalment commencing in August 2021. The interest rate is 5.93% (2022: 5.89% to 5.93%) per annum.
 - Term loan of RMB636,000 or \$119,000 equivalent (2022: RMB782,000 or \$152,000 equivalent) is secured by corporate guarantee by the Company, bearing interest at a floating rate of 30% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 8 instalments with the first repayment instalment commencing in February 2021. The interest rate is 5.93% (2022: 5.89% to 5.93%) per annum.
 - Term loan of RMB7,845,000 or \$1,465,000 equivalent (2022: RMB12,863,000 or \$2,500,000 equivalent) is secured by corporate guarantee by the Company and personal guarantees of certain key management personnel of the Company, bearing interest at a floating rate of 130% of the 1-5 years interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 16 quarterly instalments with the first repayment instalment commencing in April 2021. The average effective interest rate is 6.18% (2022: 6.18%) per annum.
 - Term loan of RMB3,892,000 or \$727,000 equivalent (2022: RMB5,038,000 or \$979,000 equivalent) is secured by corporate guarantee by the Company, bearing interest at 1.35% above the 5-year loan prime rate. The term loan is repayable in 19 quarterly instalments with the first repayment instalment commencing in April 2023. The average effective interest rate is 5.90% (2022: 5.90%) per annum.
 - Term loan of RMB3,900,000 or \$728,000 (2022: RMB4,700,000 or \$913,000 equivalent) is secured by corporate guarantee by a subsidiary of the Company, bearing interest at 155 basis points higher of the 1 year interest rate announced by the bank and is repriced every 3 months. The term loan is repayable in 20 quarterly instalments with the first repayment instalment commencing in December 2024. The effective interest rate is 5.35% (2022: 5.35%) per annum.
 - Term loan of RMB12,956,000 or \$2,420,000 is credit secured. The term loan is repayable in 5 years and are settled in cash. The interest rate is 5.53% per annum.
- (c) Unsecured RMB term loans comprising:
- Unsecured RMB term loan of RMB50,000 or \$10,000 equivalent is unsecured, bears interest at a fixed rate of 5.40% per annum and was fully repaid during the financial year.
 - Unsecured RMB term loan of RMB1,000,000 or \$187,000 equivalent (2022: RMB1,000,000 or \$194,000 equivalent) is unsecured, bears interest at 5.40% (2022: 5.40%) per annum and is repayable in December 2024 (2022: January 2023).

Notes to the Financial Statements

For the financial year ended 31 December 2023

27. LOANS AND BORROWINGS (CONTINUED)

(d) Secured SGD term loans comprising:

- Secured SGD term loans of \$7,177,000 (2022: \$7,987,000) undertaken by a subsidiary to finance the expansion of its 2-storey industrial warehouse cum office at 52 Tuas Avenue 9, Singapore 639193. The loan bears floating interest at 1.50% (2022: 1.50%) per annum above bank swap rate and is repayable in equal monthly instalments over 20 years from the date of drawdown. The effective interest rates range from 5.42% to 5.89% (2022: 1.95% to 5.42%) per annum. The loan is secured by legal mortgage of the properties disclosed in Note 11 and a corporate guarantee by the Company.
- Secured SGD term loan of \$1,089,000 (2022: \$1,686,000) is secured by corporate guarantee by the Company, bears interest at 2.25% (2022: 2.25%) per annum. The term loan is repayable in 60 monthly instalments from the date of draw down.
- Secured SGD term loans of \$880,000 (2022: \$1,377,000) is secured by corporate guarantee by the Company, bear interest rate ranging from 2.25% to 3.00% (2022: 2.25% to 3.00%) per annum. The loan is repayable in equal monthly instalments over 5 years from the date of draw down.
- Secured SGD term loans of \$500,000 is secured by corporate guarantee by the Company, bears interest at a fixed rate of 4.74% per annum and was fully repaid during the financial year.

(e) Unsecured SGD term loans comprising:

- Unsecured SGD term loan of \$512,000 (2022: \$1,128,000), which bears fixed interest rate at 2.25% (2022: 2.25% to 5.15%) per annum. This amount is repayable from January 2024 to December 2025.

Government loans

The government loans comprise:

- (a) In the previous financial year, a government loan of RMB1,000,000 or \$195,000 equivalent granted to a subsidiary of the Group to finance the construction of the wastewater plant. The loan is unsecured and non-interest bearing and was fully repaid during the financial year.
- (b) A government loan of KRW153,100,000 or \$156,000 (2022: KRW153,100,000 or \$162,000) granted to a subsidiary of the Group to finance working capital. The loan is unsecured, non-interest bearing and repayable on demand.

Bills payable

Bills payable are repayable between 3 to 9 months from the date the bills are first issued.

During the financial year ended 31 December 2023, the bills payable carry interests at rates ranging from 4.98% to 7.45% (2022: 2.96% to 7.24%) per annum.

The Company provides corporate guarantees to banks in respect of the bills payable amounting to \$5,732,000 (2022: to \$7,139,000) owing to the banks by certain subsidiaries.

Notes to the Financial Statements

For the financial year ended 31 December 2023

27. LOANS AND BORROWINGS (CONTINUED)

Bills payable (Continued)

Bills payable denominated in foreign currencies as at 31 December 2023 and 2022 are as follows:

	Group	
	2023 \$'000	2022 \$'000
United States dollars	1,376	6,800
Chinese renminbi	143	150

Undrawn committed borrowing facilities

As at 31 December 2023, the Group has available undrawn committed borrowing facilities of \$52,710,000 (2022: \$57,988,000).

Effective interest rates

	Effective interest rate	
	2023 %	2022 %
<i>Bank loans:</i>		
– Revolving SGD loan facilities	–	1.55% – 5.63%
– Secured RMB term loans	5.35% – 6.18%	5.35% – 6.18%
– Unsecured RMB term loans	5.40%	5.40%
– Secured SGD term loans	2.25% – 5.89%	1.95% – 5.42%
– Unsecured SGD term loans	2.25%	2.25% – 5.15%
<i>Other loans and borrowings:</i>		
Bills payable – for trade purpose	4.98% – 7.45%	2.96% – 7.24%

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	2022 \$'000	Cash flows \$'000	Non-cash changes		2023 \$'000
			Foreign exchange movement \$'000	Other \$'000	
Bank loans					
– current	6,200	(4,443)	(1,050)	3,986	4,639
– non-current	14,210	734	808	(3,986)	11,766
Government loans					
– current	357	(187)	(14)	–	156
Amounts due to associates (Note 22)	326	48	–	–	374

Notes to the Financial Statements

For the financial year ended 31 December 2023

27. LOANS AND BORROWINGS (CONTINUED)

Effective interest rates (Continued)

	2021 \$'000	Cash flows \$'000	Non-cash changes		2022 \$'000
			Foreign exchange movement \$'000	Other \$'000	
Bank loans					
– current	8,232	(5,093)	(152)	3,213	6,200
– non-current	19,985	(2,165)	(397)	(3,213)	14,210
Government loans					
– current	598	(194)	(47)	–	357
Amounts due to associates (Note 22)	426	(100)	–	–	326

The 'other' column relates to reclassification of non-current portion of loans and borrowings due to passage of time.

28. DEFERRED GOVERNMENT GRANTS

These are grants received from the government of the People's Republic of China 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 over respective concession periods of 27 to 50 years.

	Group	
	2023 \$'000	2022 \$'000
At 1 January	1,396	1,599
Additions	187	–
Less: Amortisation of government grants (Note 5)	(70)	(68)
Exchange differences	(54)	(135)
At 31 December	1,459	1,396

29. DEFERRED TAX

Deferred income tax as at 31 December 2023 and 2022 relates to the following:

	Group			
	Balance sheet		Net change in income statement	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Deferred tax liabilities:				
Undistributed earnings of associates	(229)	(229)	–	–
Accelerated tax depreciation	(144)	(46)	98	(22)
Fair value adjustments on acquisition of subsidiary	(675)	(720)	–	–
Exchange differences	4	(3)	(6)	–
	(1,044)	(998)		
Deferred tax assets:				
Provisions and accelerated tax depreciation	122	62	(60)	(59)
Deferred tax expense (Note 9)			32	(81)

Notes to the Financial Statements

For the financial year ended 31 December 2023

29. DEFERRED TAX (CONTINUED)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2022: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries.

Such temporary differences for which no deferred tax liability has been recognised aggregate to \$19,290,000 (2022: \$18,820,000). The deferred tax liability is estimated to be approximately \$965,000 (2022: \$941,000).

30. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company			
	2023		2022	
	No. of ordinary shares '000	\$'000	No. of ordinary shares '000	\$'000
Issued and paid-up:				
At 1 January	294,054	38,864	292,733	38,776
Issuance of ordinary shares	–	–	1,321	88
At 31 December	294,054	38,864	294,054	38,864

In the previous financial year, the Company issued and allotted 1,321,000 ordinary shares at \$0.067 per share for an aggregate cash consideration of \$88,000 arising from the exercise of options pursuant to the Employee Share Option Scheme 2013 (Note 33).

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.

(b) *Treasury shares*

	Group and Company			
	2023		2022	
	No. of ordinary shares '000	\$'000	No. of ordinary shares '000	\$'000
At 1 January and 31 December	(5,534)	(568)	(5,534)	(568)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

31. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2023 \$'000	2022 \$'000
At 1 January	(966)	2,427
Net effect of exchange differences arising from translation of financial statements of foreign operations	(1,767)	(3,393)
At 31 December	(2,733)	(966)

Notes to the Financial Statements

For the financial year ended 31 December 2023

32. STATUTORY RESERVE FUND

Under the present laws and regulations in the People's Republic of China ("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 statutory reserve fund may be used to cover losses incurred by the PRC companies 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.

33. EMPLOYEE SHARE OPTION RESERVE

	Group and Company	
	2023 \$'000	2022 \$'000
At 1 January	454	517
Exercised	–	(58)
Cancelled/lapsed	(454)	(5)
At 31 December	–	454

Equity-settled share option scheme

The Company has two share option 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. There have been no cancellation or modification to the share option plan during the financial years ended 31 December 2023 and 2022. These options have expired during the financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2023

33. EMPLOYEE SHARE OPTION RESERVE (CONTINUED)

(b) Discounted options (Continued)

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	Group and Company			
	2023		2022	
	No. of share options	WAEP \$	No. of share options	WAEP \$
Outstanding at 1 January	10,416,500	0.067	11,850,000	0.067
Exercised (Note 30)	–	–	(1,321,000)	0.067
Forfeited	–	–	(112,500)	0.067
Lapsed	(10,416,500)	0.067	–	–
Outstanding at 31 December	–	–	10,416,500	0.067
Exercisable at 31 December	–	–	10,416,500	0.067

- The options outstanding at the end of the financial year have a weighted average remaining contractual life of Nil (2022: 0.79 years).
- The exercise price for options outstanding at the end of the financial year was Nil (2022: \$0.067).
- There are no share-based payment expense recognised during the financial year ended 31 December 2023 and 2022.

34. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of equity securities at fair value through other comprehensive income until they are disposed of or impaired.

35. DIVIDENDS

	Group and Company	
	2023 \$'000	2022 \$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
– Final exempt (one-tier) dividend for 2022: 0.4 (2021: 0.7) cent per share	1,154	2,010
Proposed but not recognised as liability as at 31 December:		
<i>Dividends on ordinary shares, subject to shareholders' approval at AGM</i>		
– Final exempt (one-tier) dividend for 2023: 0.3 (2022: 0.4) cent per share	866	1,154

Notes to the Financial Statements

For the financial year ended 31 December 2023

36. RELATED PARTY TRANSACTIONS

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2023 \$'000	2022 \$'000
Sales of goods to a related party	–	(2)
Purchase of goods from a related party	870	435

Related party refers to a corporate shareholder who has significant influence over one of the Company's subsidiaries, Ichinose Emico Valves (S) Pte. Ltd.

(b) Compensation of directors and key management personnel

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

	Group	
	2023 \$'000	2022 \$'000
Salaries, bonuses and benefits	2,722	3,199
Central Provident Fund contributions	102	137
Directors' fees	110	110
	2,934	3,446
Comprise amounts paid to:		
– Directors of the Company	1,737	1,986
– Other key management personnel	1,197	1,460
	2,934	3,446

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

Directors' interests in employee share option

At the end of the reporting period, the total number of outstanding share options granted by the Company to the above-mentioned directors under the share option plan amounted to Nil (2022: 3,476,000).

37. CORPORATE GUARANTEES – COMPANY LEVEL

The Company has issued corporate guarantees to several financial institutions for borrowings granted to certain subsidiaries for \$96,019,000 (2022: \$81,270,000), of which \$20,763,000 (2022: \$25,304,000) were utilised at the end of the reporting period.

Based on information currently available, the Company does not expect any liabilities to arise from the guarantees.

Notes to the Financial Statements

For the financial year ended 31 December 2023

38. CONTINGENCIES

On 13 December 2023, the Company has entered into a sale and purchase agreement (SPA) with a purchaser to dispose of all the Company's shares in Pioneer Environmental Technology Pte. Ltd. (Pioneer), a 51% owned subsidiary of the Company. Pursuant to the SPA, the Company will continue to provide securities and guarantees to Pioneer for ongoing projects and debts in bank facilities until the completion of these projects undertaken by Pioneer and discharge of bank facilities.

As at the date of the SPA, the outstanding obligations to be fulfilled under the project contract amounted to approximately \$4,450,000, of which the bank has provided banker's guarantees of approximately \$1,790,000. The securities and guarantees provided by the Company will only be discharged upon the completion of the respective project contracts and repayment of the bank facilities.

Based on information currently available, the Company does not expect any liabilities to arise from the above mentioned guarantees as the Company's exposure is mitigated by the securities pledged by the Purchaser. These securities include a personal guarantee by the purchaser, mortgage over two properties in Singapore and charges over the shares in certain PRC subsidiaries held by the purchaser. Accordingly, no provision has been recognised for the financial year ended 31 December 2023.

39. 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 three reporting segments; i.e. distribution of stainless steel piping products and non-steel products; manufacturing of steel flanges and environmental business (including engineering construction of piping process system). The portion of environmental business segment contributed by Pioneer Group was disposed of during the financial year and presented separately as "Discontinued operations" [Note 24(b)]. 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 includes 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 is allocated to each segment on the basis they are specifically attributable to that segment, and correspondingly the investment in associates are included as segment assets of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2023

39. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

	Distribution		Manufacturing of steel flanges		Environmental Business		Discontinued operations		Elimination		Consolidation	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	30,186	48,752	-	-	-	-	-	-	-	-	30,186	48,752
External revenue (steel products)	-	15,011	-	-	-	-	-	-	-	-	-	18,252
External revenue (non-steel products)	-	-	4,133	3,021	13,340	16,204	2,741	1,844	-	(263)	20,214	20,806
Inter-segment revenue	1,707	219	4,042	4,069	1,483	1,292	172	326	(7,404)	(5,906)	-	-
Total revenue	31,893	63,982	8,175	7,090	14,823	17,496	2,913	5,411	(7,404)	(6,169)	50,400	87,810
Result												
Segment results	698	2,245	764	807	7,470	6,116	7	172	(2,045)	(66)	6,894	9,274
Dividend income	4,020	4,261	-	-	1,809	-	-	-	(5,829)	(4,261)	-	-
Impairment losses on financial assets	26	(118)	(6)	(38)	(5)	54	-	-	-	-	15	(102)
Reversal of Impairment losses on non-financial assets	3,425	3,166	-	681	-	-	-	-	(3,425)	(3,847)	-	-
Share of profits/(losses) of associates	-	-	-	-	187	363	(9)	(24)	-	-	178	339
Interest income	-	-	-	-	-	-	-	-	-	-	157	104
Finance costs	-	-	-	-	-	-	-	-	-	-	(1,429)	(1,198)
Profit before tax	-	-	-	-	-	-	-	-	-	-	5,815	8,417
Income tax	-	-	-	-	-	-	-	-	-	-	(1,180)	(1,070)
Profit for the financial year	-	-	-	-	-	-	-	-	-	-	4,635	7,347

(Represented)

Notes to the Financial Statements

For the financial year ended 31 December 2023

39. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

	Distribution		Manufacturing of steel flanges		Environmental business		Discontinued operations		Consolidation	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Assets										
Segment assets	42,187	46,901	6,211	5,437	58,321	63,142	3,353	–	110,072	115,480
Investment in associates	–	–	–	–	9,824	10,338	147	–	9,971	10,338
Consolidated total assets									120,043	125,818
Liabilities										
Segment liabilities	11,418	13,151	1,915	1,381	8,041	11,493	3,143	–	24,517	26,025
Bank loans and government loans	9,814	14,341	–	–	6,801	6,426	–	–	16,615	20,767
Consolidated total liabilities									41,132	46,792
Other information										
Depreciation and amortisation	1,263	1,299	315	187	1,641	1,563	12	35	3,231	3,084
Capital expenditure	39	236	831	272	1,714	3,835	5	(14)	2,589	4,329
Other non-cash items	139	325	528	(379)	(558)	(338)	–	(17)	109	(409)

(Represented)

Notes to the Financial Statements

For the financial year ended 31 December 2023

39. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B The following items are deducted from segment profits to arrive at "profit before tax" presented in the consolidated income statement:

	2023 \$'000	2022 \$'000
Profit from inter-segment sales	(569)	(206)
Unallocated corporate income/(expenses)	(1,476)	140
	(2,045)	(66)

C Inter-segment dividend income are eliminated on consolidation.

D Impairment in subsidiaries are eliminated on consolidation.

(b) Geographical information

The Group's operations are located in Singapore, South Korea, Malaysia and the People's Republic of China ("PRC"). The Group's engineering construction and the distribution of steel products and non-steel products divisions are in Singapore, South Korea and the PRC while the Group's manufacturing of steel flanges is in Malaysia 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	
	2023 \$'000	2022 \$'000
By geographical markets:		
Singapore	23,224	25,132
Malaysia	7,282	5,157
PRC	14,376	34,642
India	–	17,373
South Korea	–	565
Others ⁽¹⁾	5,518	4,941
	50,400	87,810

(1) Others mainly comprise Indonesia, Australia, United Kingdom and Hong Kong, which individually do not contribute more than 10% of the Group's revenue.

Notes to the Financial Statements

For the financial year ended 31 December 2023

39. SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

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

	Non-current assets	
	2023 \$'000	2022 \$'000
Singapore	13,930	15,230
Malaysia	1,239	737
South Korea	3	3
PRC	47,077	48,959
	62,249	64,929

Non-current assets information presented above consists of property, plant and equipment, right-of-use assets, goodwill, intangible assets, investment in associates, investment securities, club membership, refundable deposits and deferred tax assets as presented in the consolidated balance sheet.

40. 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, foreign currency risk and interest rate 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 Executive 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. There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Notes to the Financial Statements

For the financial year ended 31 December 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2023 and 31 December 2022 is determined as shown in the table below. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next financial year, leading to an increased number of defaults.

Notes to the Financial Statements

For the financial year ended 31 December 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

Singapore:

	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
2023						
Gross carrying amount	2,507	1,077	437	281	1,227	5,529
Loss allowance provision	–	–	–	–	709	709
2022						
Gross carrying amount	3,098	1,630	321	150	1,507	6,706
Loss allowance provision	–	–	–	–	769	769

Other geographical areas:

	Current \$'000	Less than 30 days \$'000	30 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
2023						
Gross carrying amount	10,498	2,108	345	473	1,100	14,524
Loss allowance provision	11	15	38	24	38	126
2022						
Gross carrying amount	10,381	506	272	207	1,569	12,935
Loss allowance provision	7	17	31	23	89	167

Information regarding loss allowance movement of trade receivables are disclosed in Note 21.

Concentration risk

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.

Notes to the Financial Statements

For the financial year ended 31 December 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

Exposure to credit risk

The extent of the Group's credit exposure is represented by the aggregate carrying amount of cash and bank balances and trade and other receivables.

The maximum amount that the Company could be forced to settle under corporate guarantee contracts to the banks in respect of facilities extended to its subsidiaries is \$20,763,000 (2022: \$25,304,000) (Note 37).

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 (net) at the balance sheet date is as follows:

	2023		2022	
	\$'000	% of total	\$'000	% of total
<i>By country:</i>				
Singapore	4,820	25%	5,937	32%
Malaysia	664	3%	261	1%
People's Republic of China	13,734	72%	12,507	67%
	19,218	100%	18,705	100%

There were no customers who represented more than 5% of the total balance of trade receivables.

Other receivables and amount due from subsidiaries

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the loss allowance provision using 12-month ECL. Information regarding loss allowance movement of other receivables are disclosed in Note 21.

Notes to the Financial Statements

For the financial year ended 31 December 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group aims to maintain committed bank facilities prudently in excess of its estimated gross borrowing requirements.

Analysis of financial instruments by remaining contractual maturities

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.

	2023			Total \$'000
	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	
Group				
Financial assets:				
Trade and other receivables ⁽¹⁾	19,575	–	–	19,575
Refundable deposits	–	–	434	434
Cash and bank balances	11,073	–	–	11,073
Total undiscounted financial assets	30,648	–	434	31,082
Financial liabilities:				
Trade and other payables and accruals ⁽²⁾	7,342	33	–	7,375
Lease liabilities	397	1,053	3,084	4,534
Amounts due to associates	374	–	–	374
Loans and borrowings	10,984	10,077	3,425	24,486
Total undiscounted financial liabilities	19,097	11,163	6,509	36,769
Total net undiscounted financial assets/(liabilities)	11,551	(11,163)	(6,075)	(5,687)

(1) Exclude VAT/GST receivables and advances to suppliers.

(2) Exclude VAT/GST payables, deposits from customers and contract liabilities.

	2022			Total \$'000
	1 year or less \$'000	1 to 5 years \$'000	After 5 years \$'000	
Group				
Financial assets:				
Trade and other receivables ⁽¹⁾	19,137	–	–	19,137
Refundable deposits	–	–	451	451
Cash and bank balances	15,002	–	–	15,002
Total undiscounted financial assets	34,139	–	451	34,590
Financial liabilities:				
Trade and other payables and accruals ⁽²⁾	9,424	34	–	9,458
Lease liabilities	461	953	3,294	4,708
Amounts due to associates	326	–	–	326
Loans and borrowings	14,355	11,807	4,406	30,568
Total undiscounted financial liabilities	24,566	12,794	7,700	45,060
Total net undiscounted financial assets/(liabilities)	9,573	(12,794)	(7,249)	(10,470)

(1) Exclude VAT/GST receivables and advances to suppliers.

(2) Exclude VAT/GST payables, deposits from customers and contract liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2023

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	1 year or less \$'000	2023 More than 1 year \$'000	Total \$'000
Company			
Financial assets:			
Trade and other receivables	22	–	22
Amounts due from subsidiaries	10,293	–	10,293
Cash and bank balances	711	–	711
Total undiscounted financial assets	11,026	–	11,026
Financial liabilities:			
Other payables and accruals ⁽¹⁾	1,128	–	1,128
Amounts due to subsidiaries	476	–	476
Loans and borrowings	266	258	524
Total undiscounted financial liabilities	1,870	258	2,128
Total net undiscounted financial assets/(liabilities)	9,156	(258)	8,898
Company			
Financial assets:			
Amounts due from subsidiaries	11,086	–	11,086
Cash and bank balances	305	–	305
Total undiscounted financial assets	11,391	–	11,391
Financial liabilities:			
Other payables and accruals ⁽¹⁾	1,272	–	1,272
Amounts due to subsidiaries	465	–	465
Loans and borrowings	641	523	1,164
Total undiscounted financial liabilities	2,378	523	2,901
Total net undiscounted financial assets/(liabilities)	9,013	(523)	8,490

(1) Exclude VAT/GST payables

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

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.

	2023				2022			
	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 (Note 37)	9,791	7,845	3,127	20,763	12,364	9,003	3,937	25,304

(c) Foreign currency risk

The Group transacts business in various foreign currencies 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 dollars and Chinese renminbi against the Singapore dollars. To the extent possible, sales and purchases which are denominated in United States dollars 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 and RMB (against SGD), with all other variables held constant, of the Group's profit net of tax.

	2023 (Decrease)/ increase in profit net of tax \$'000	2022 (Decrease)/ increase in profit net of tax \$'000
Group		
USD/SGD – strengthened 2% (2022: 1%)	4	(42)
– weakened 2% (2022: 1%)	(4)	42
RMB/SGD – strengthened 4% (2022: 8%)	341	649
– weakened 4% (2022: 8%)	(341)	(649)

Notes to the Financial Statements

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2022: less than 6 months) from the end of the reporting period. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 200 (2022: 200) basis points higher/lower with all other variables held constant, the Group's profit before tax would have been \$285,000 (2022: \$420,000) lower/higher, arising mainly as a result of higher/lower interest expense on bank loans and government loans (Note 27). The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as compared to prior financial years.

41. FAIR VALUES OF ASSETS AND LIABILITIES

(a) 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.

(b) Assets measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Significant unobservable inputs (Level 3) \$'000	Total \$'000
2023		
Group		
Financial assets at FVOCI (Note 17)		
– Equity securities (unquoted)	–	–

Notes to the Financial Statements

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41. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets measured at fair value (Continued)

	Significant unobservable inputs (Level 3) \$'000	Total \$'000
2022		
Group		
Financial assets at FVOCI (Note 17)		
– Equity securities (unquoted)	67	67

The investment security was acquired in financial year 2021 for a consideration of \$67,000. In the previous financial year, the directors are of the view that the purchase cost based on willing buyer – willing seller basis approximates its fair value. However, during the financial year, the directors are of the view that the fair value of this investment is Nil given that there is no information available for the directors to determine its fair value.

(c) Assets and liabilities not measured at fair value but for which fair values are disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using			Total \$'000
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
2023				
Group				
Liabilities:				
Government loans (Note 27)	–	–	128	128
Financial liabilities as at 31 December 2023	–	–	128	128
2022				
Group				
Liabilities:				
Government loans (Note 27)	–	–	325	325
Financial liabilities as at 31 December 2022	–	–	325	325

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41. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(c) Assets and liabilities not measured at fair value but for which fair values are disclosed (Continued)

	Group			
	2023		2022	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Assets:				
Refundable deposits (Note 19)	434	#	451	#
Liabilities:				
Government loans (Note 27)	156	128^{^^}	357	325 ^{^^}

Refundable deposits

It is not practical to estimate the fair value of the non-current refundable deposits as the amounts are not repayable within a year and have no fixed repayment terms. Hence, the timing of future cash flows cannot be estimated reliably.

^^ Government loans

The fair value, determined using significant unobservable inputs (level 3), is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

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

Trade and other receivables, amounts due from subsidiaries, cash and bank balances, trade payables, other payables and accruals, amounts due to subsidiaries and associates, loans and borrowings and lease liabilities

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature or that they are subject to interest rates close to market rates of interests for similar arrangements with financial institutions.

Notes to the Financial Statements

For the financial year ended 31 December 2023

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of the reporting period are as follows:

Group	Note	Assets at amortised cost \$'000	Liabilities at amortised cost \$'000	Total \$'000
2023				
Assets:				
Refundable deposits	19	434	–	434
Trade and other receivables ⁽¹⁾	21	19,575	–	19,575
Cash and bank balances	23	11,073	–	11,073
Total		31,082	–	31,082
Liabilities:				
Trade payables	25	–	2,189	2,189
Other payables and accruals ⁽²⁾	26	–	5,186	5,186
Amounts due to associates	22	–	374	374
Loans and borrowings	27	–	22,347	22,347
Lease liabilities	12	–	3,048	3,048
Total		–	33,144	33,144
2022				
Assets:				
Refundable deposits	19	451	–	451
Trade and other receivables ⁽¹⁾	21	19,137	–	19,137
Cash and bank balances	23	15,002	–	15,002
Total		34,590	–	34,590
Liabilities:				
Trade payables	25	–	3,443	3,443
Other payables and accruals ⁽²⁾	26	–	6,015	6,015
Amounts due to associates	22	–	326	326
Loans and borrowings	27	–	27,906	27,906
Lease liabilities	12	–	3,087	3,087
Total		–	40,777	40,777

(1) Exclude VAT/GST receivables and advances to suppliers.

(2) Exclude VAT/GST payables, deposits from customers and contract liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2023

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company	Note	Assets at amortised cost \$'000	Liabilities at amortised cost \$'000	Total \$'000
2023				
Assets:				
Trade and other receivables	21	22	–	22
Amounts due from subsidiaries	22	10,293	–	10,293
Cash and bank balances	23	711	–	711
Total		11,026	–	11,026
Liabilities:				
Amounts due to subsidiaries	22	–	476	476
Other payables and accruals ⁽¹⁾	26	–	1,128	1,128
Loans and borrowings	27	–	512	512
Total		–	2,116	2,116
2022				
Assets:				
Trade and other receivables	21	–	–	–
Amounts due from subsidiaries	22	11,086	–	11,086
Cash and bank balances	23	305	–	305
Total		11,391	–	11,391
Liabilities:				
Amounts due to subsidiaries	22	–	465	465
Other payables and accruals ⁽¹⁾	26	–	1,272	1,272
Loans and borrowings	27	–	1,128	1,128
Total		–	2,865	2,865

(1) Exclude VAT/GST payables.

43. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into several service concession arrangements within certain governing bodies and agencies of the People's Republic of China government to construct and operate wastewater treatment plants.

Group	Construction revenue \$'000	Operating income of wastewater treatment plants \$'000	Total service concession revenue \$'000
For financial year ended 31 December 2023	620	12,720	13,340
For financial year ended 31 December 2022	3,854	12,074	15,928

The revenue recognised in relation to construction represents the fair value of the construction services provided in constructing the wastewater treatment plants.

Notes to the Financial Statements

For the financial year ended 31 December 2023

43. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

The details of service concession arrangements are as follows:

Name of subsidiary	Plant type	Type and period of concession
ChangXing AW	Wastewater treatment plant	Build-Operate-Transfer ("BOT"), 30 years
LJX	Wastewater treatment plant	BOT, 30 years
CX Annyi	Wastewater treatment plant	BOT, 30 years
CX Hengyi	Wastewater treatment plant	BOT, 30 years
Shuanglin	Wastewater treatment plant	BOT, 27 years
CX Linyi	Wastewater treatment plant	Build-Operate-Own ("BOO"), 50 years
CX LinSheng	Wastewater treatment plant	BOO, 50 years
CX WuSheng	Wastewater treatment plant	BOO, 50 years

The subsidiaries are required to hand back these respective plants and other related facilities under the BOT arrangements to the respective local municipal government body/agency at the end of the respective concession periods without any consideration.

Subject to the approval of the local municipal government, the various concession arrangements allow for tariff adjustment based on the increases in key operating costs, overall adjustment of water tariff rates in the region where the plants operate, and the government policies regarding the management of water resources.

44. 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 borrowings as disclosed in Note 27 and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in Notes 30 to 34.

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 financial year 2023 has remained unchanged from financial year 2022.

As discussed in Note 32, subsidiaries of the Group that are incorporated in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group monitors capital based on gearing ratio which is total liabilities divided by total equity. At 31 December 2023, the Group's total liabilities and total equity are \$41,132,000 (2022: \$46,792,000) and \$78,911,000 (2022: \$79,026,000) respectively. The Group seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At 31 December 2023, the Group's gearing ratio was 0.52 (2022: 0.59).

Notes to the Financial Statements

For the financial year ended 31 December 2023

45. COMPARATIVES

During the financial year, the Group modified the classification of the prior year's consolidated financial statements to be consistent with the current year's presentation in the consolidated income statement for the financial results of Pioneer Group [Note 24(b)], which have been reclassified as "Discontinued operations" with additional line item "disposal group classified as held for sale" presented in the Group's balance sheet for the current financial year. The effects of the reclassification are as follows:

	2022 As previously reported \$'000	Reclassification \$'000	2022 As represented \$'000
Consolidated income statement			
Revenue	87,810	(5,085)	82,725
Cost of sales	(68,708)	4,272	(64,436)
Gross profit	19,102	(813)	18,289
Other income	2,659	(156)	2,503
Distribution expenses	(1,144)	246	(898)
Administrative expenses	(10,339)	551	(9,788)
Allowance for impairment loss on financial assets	(102)	–	(102)
Other operating expenses	(900)	15	(885)
Share of profits of associates	339	24	363
Finance costs	(1,198)	1	(1,197)
Profit before tax	8,417	(132)	8,285
Income tax expense	(1,070)	36	(1,034)
Profit from continuing operations	7,347	(96)	7,251
Profit from discontinued operations	–	96	96
Profit for the financial year	7,347	–	7,347

46. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year, on 17 January 2024, one of the Company's subsidiary, Metal Wang Pte. Ltd. reduced its issued and unpaid share capital by cancelling 200,000 ordinary shares amounting to SGD200,000. The reduction in share capital is not expected to have any financial impact to the Group.

47. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 28 March 2024.

Statistics of Shareholdings

As at 18 March 2024

SHAREHOLDERS' INFORMATION

Number of Equity Securities	:	288,520,274*
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per share

* Excluding non-voting 5,533,700 treasury shares.

SUBSTANTIAL SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.98	445	0.00
100 – 1,000	41	3.63	26,330	0.01
1,001 – 10,000	309	27.39	2,070,900	0.72
10,001 – 1,000,000	737	65.34	63,469,606	22.00
1,000,001 AND ABOVE	30	2.66	222,952,993	77.27
TOTAL	1,128	100.00	288,520,274	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Indirect Interest	%
Ow Chin Seng ⁽¹⁾⁽³⁾	97,574,197	33.82	22,766,455	7.89
Low Kheng ⁽¹⁾	22,766,455	7.89	97,574,197	33.82
Lian Lay Kheng ⁽²⁾	6,516,900	2.26	11,815,950	4.10
Low Sim Yam ⁽²⁾	11,815,950	4.10	6,516,900	2.26

(1) Ow Chin Seng and Low Kheng are husband and wife.

(2) Lian Lay Kheng and Low Sim Yam are husband and wife.

(3) Ow Chin Seng is deemed to be interested in 87,500,000 ordinary shares of the Company, registered in the name of a nominee account of Citibank Nominees Singapore Pte Ltd.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	99,294,650	34.42
2	LOW KHENG	22,766,455	7.89
3	LOW SIM YAM	11,815,950	4.10
4	OW CHIN SENG	10,074,197	3.49
5	NG KIM KEANG	9,985,000	3.46
6	MAYBANK SECURITIES PTE. LTD.	9,814,350	3.40
7	LIAN LAY KHENG	6,516,900	2.26
8	DBS NOMINEES (PRIVATE) LIMITED	5,527,900	1.92
9	PHILLIP SECURITIES PTE LTD	4,525,650	1.57
10	EST OF LEE TECK LEONG, DEC'D	4,376,000	1.52
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,233,400	1.47
12	CHEW KIT LENG	3,330,646	1.15
13	EE KIM CHUAN @ YEE KIM CHUAN	2,786,500	0.97
14	EVE PHUA SIN YEE (PAN XINYI)	2,664,000	0.92
15	KWEK GEOK YONG	2,417,000	0.84
16	ANG MONG SENG	2,080,000	0.72
17	KWA CHING TZE	2,000,000	0.69
18	OW JIA YIN CLARA	2,000,000	0.69
19	NG THENG LOCK	1,962,309	0.68
20	ANG MONG AIANG OR ANG THONG HUANG (HONG ZHONGHAN)	1,650,000	0.57
TOTAL		209,820,907	72.73

Statistics of Shareholdings

As at 18 March 2024

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 46.20% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

TREASURY SHARES

Total number of ordinary shares held in Treasury	:	5,533,700
Voting rights	:	None
Percentage of this shareholding against total number of issued shares excluding Treasury Shares	:	1.92%

Company has nil subsidiary holdings as at 31 December 2023 (31 December 2022: nil).

Statistics of Warrantholdings

As at 18 March 2024

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	10	8.00	6,911	0.02
1,001 – 10,000	46	36.80	221,200	0.50
10,001 – 1,000,000	61	48.80	7,229,568	16.52
1,000,001 AND ABOVE	8	6.40	36,302,295	82.96
TOTAL	125	100.00	43,759,974	100.00

TWENTY LARGEST WARRANTHOLDERS

NO. NAME	NO. OF WARRANTS	%
1 CITIBANK NOMINEES SINGAPORE PTE LTD	17,632,250	40.29
2 LOW KHENG	6,068,731	13.87
3 MAYBANK SECURITIES PTE. LTD.	3,989,850	9.12
4 LOW SIM YAM	2,938,650	6.72
5 LIAN LAY KHENG	2,172,300	4.96
6 LEE TAT KWONG (LI DAGUANG)	1,262,525	2.89
7 PHILLIP SECURITIES PTE LTD	1,147,250	2.62
8 OW CHIN SENG	1,090,739	2.49
9 SEOW ZI-HUA	915,500	2.09
10 NG KIM KEANG	770,000	1.76
11 DBS NOMINEES (PRIVATE) LIMITED	566,000	1.29
12 EE KIM CHUAN @ YEE KIM CHUAN	557,300	1.27
13 GOH GUAN SIONG (WU YUANXIANG)	507,100	1.16
14 LIM CHIN KEONG	355,875	0.81
15 LIAN BEE METAL PTE LTD	302,675	0.69
16 KHOO SWEE KWANG	300,000	0.69
17 PEH CHOON CHIEH (BAI JUNJIE)	183,591	0.42
18 CHEE YEOK YIN	174,100	0.40
19 LIM LU SUAN	142,500	0.33
20 GOH PENG TONG	133,000	0.30
TOTAL	41,209,936	94.17

Notice of Annual General Meeting

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 Monday, 29 April 2024 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2023 together with the Auditors’ Report thereon. **(Resolution 1)**
 2. To declare first and final dividend (tax exempt one-tier) of 0.30 Singapore cent per ordinary share for the financial year ended 31 December 2023. **(Resolution 2)**
 3. To re-elect the following Directors of the Company who are retiring pursuant to Regulation 121 of the Constitution of the Company:
 - (i) Ms Tan Poh Hong **(Resolution 3)**
 - (ii) Mr Benedict Ow Eei Phurn **(Resolution 4)**
- [See Explanatory Note (i)]**
4. To approve the payment of Directors’ fees of S\$109,700 for the financial year ended 31 December 2023. (FY2022: S\$109,700) **(Resolution 5)**
 5. To re-appoint Messrs UHY Lee Seng Chan & Co as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
 6. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **General mandate to issue new shares**

That pursuant to Section 161 of the Companies Act 1967 of Singapore (the “**Companies Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) allot and 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,

(the “**Share Issue Mandate**”)

Notice of Annual General Meeting

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 the Instruments or any convertible securities;
 - (b) new shares arising from exercising of share options or vesting of share awards, provided the share options or awards were granted in compliance with the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with sub-paragraphs (2)(a) or (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of this Resolution.

- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and all applicable legal requirements under the Companies Act and the Constitution of the Company for the time being of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) 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 and the Catalist Rules to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 7)

[See Explanatory Note (ii)]

8. **Authority to allot and issue new ordinary shares pursuant to AnnAik Limited Scrip Dividend Scheme**

That pursuant to Section 161 of the Companies Act, the Catalist Rules of the SGX-ST and the Constitution of the Company, the Directors of the Company be authorised and empowered to:

- (a) allot and issue such number of new ordinary shares in the capital of the Company as may be required to be allotted and issued pursuant to the AnnAik Limited Scrip Dividend Scheme; and/or

Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) allot and issue such number of new ordinary shares in the capital of the Company pursuant to the AnnAik Limited Scrip Dividend Scheme to any dividend which was approved while the authority conferred by this Resolution was in force;

provided 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.

(Resolution 8)

[See Explanatory Note (iii)]

9. Renewal of Share Buy-Back Mandate

That approval be and is hereby given:

- (a) for the purposes of Sections 76C and 76E of the Companies Act and the Catalist Rules of the SGX-ST, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (i) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
- (ii) off-market purchases ("**Off-Market Purchases**") effected pursuant to any equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise, be in accordance with all other laws, the Catalist Rules of the SGX-ST and other regulations and rules of the SGX-ST,

(the "**Share Buy-Back Mandate**");

- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
- (ii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in a general meeting, or
- (iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; and

- (c) the Directors of the Company and/or any of them be and is hereby authorised to do such acts and things (including, without limitation, enter into all transactions, arrangements and agreements and executing such documents) as they and/or he may consider necessary or expedient to give effect to this Resolution.

Notice of Annual General Meeting

In this Resolution:

"Maximum Limit" means that number of Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period (as defined below), effected a reduction of its share capital in accordance with the applicable provisions under the Companies Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction.

"Maximum Price" in relation to a Share to be purchased or acquired, means the price paid per Share which does not exceed 105% of the average of the closing market prices of the Shares over the last 5 Market Days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant 5 Market Days period.

The Maximum Price shall apply to both Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses; and

"Relevant Period" means the period commencing from the date on which the Annual General Meeting of the Company at which this Resolution is passed and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier, after the date of the passing of this Resolution.

(Resolution 9)

[See Explanatory Note (iv)]

By Order of the Board

Siau Kuei Lian
Company Secretary

Singapore
12 April 2024

Explanatory Notes:

- (i) Ms Tan Poh Hong will, upon re-election as Director of the Company, remain as Independent Director, Chairman of Remuneration Committee and a member of Nominating Committee and Audit Committee and will be considered independent pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 59 to page 60 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST.

Mr Benedict Ow Eei Phurn will, upon re-election as Director of the Company, remain as Executive Director cum Sales Director. Please refer to Table A of the Corporate Governance Report on page 59 to page 60 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST.

- (ii) The Ordinary Resolution 7 in item 7 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, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

Notice of Annual General Meeting

- (iii) The Ordinary Resolution 8 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 allot and issue new ordinary shares in the Company pursuant to the AnnAik Limited Scrip Dividend Scheme (as approved by shareholders in Extraordinary General Meeting dated 30 April 2018) to shareholders who, in respect of a qualifying dividend, elect to receive scrip in lieu of part or all of the cash amount of that qualifying dividend.
- (iv) The Ordinary Resolution 9 in item 9 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 the date which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to repurchase Shares by way of Market Purchases and/or Off-Market Purchases of up to 10% of the total number of Shares (excluding treasury shares and subsidiary holdings) at the Maximum Price. Information relating to this proposed Resolution is set out in the Appendix dated 12 April 2024 (in relation to the Renewal of Share Buy-Back Mandate).

Notes:

- The members of the Company are invited to attend physically at the Annual General Meeting ("**AGM**" or the "**Meeting**"). The Notice of AGM, Proxy Form, Request Form, Annual Report and Appendix in relation to the proposed renewal of the Share Buy-Back Mandate (the "**Appendix**") will be sent to members by electronic means via publication on the Company's website at the URL www.annaik.com and on the SGXNet at the URL <http://www.sgx.com/securities/company-announcements>. Printed copies of the Notice of AGM, Proxy Form and Request Form will be despatched to shareholders. Shareholders may request physical copies of the Annual Report and Appendix by filling out the Request Form and returning it to the Company no later than 19 April 2024,
 - post to the Company's registered office at 52 Tuas Avenue 9, Singapore 639193; or
 - email to kknng@annaik.com and cheeseng@annaik.com enclosing a clear scanned completed and signed Request Form.
- A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A member shall specify the proportion of his/her/its shareholding to be represented by each proxy in the instrument appointing the proxies, failing which the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named. A proxy need not be a member of the Company.
- A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).
- The instrument appointing a proxy must be deposited at the registered office of the Company at 52 Tuas Avenue 9, Singapore 639193 by mail or email to kknng@annaik.com and cheeseng@annaik.com, in either case, by 10.00 a.m. on 26 April 2024, being no later than seventy-two (72) hours before the time appointed for holding the Meeting.
- The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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, failing which the instrument may be treated as invalid.
- 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 1967, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
- An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the proxy at least seven (7) working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Notice of Annual General Meeting

8. In the case of a member whose shares are entered against his/her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), the Company may reject any instrument of proxy lodged if such member, being the appointer, is not shown to have any shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

*A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

SHAREHOLDERS' QUERIES AND ANSWERS

Shareholders may submit substantial and relevant questions that are related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, before 10.00 a.m. on 19 April 2024, via email to our Investor Relations team at kknq@annaik.com and cheeseng@annaik.com.

Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed. The Company will endeavour to upload the Company's responses to substantial and relevant queries from shareholders on the SGXNet and Company's website by 23 April 2024. If substantial and relevant written questions are submitted after the abovementioned cut-off time, they will be addressed during the AGM.

The Company will publish the minutes of the AGM, which will include responses from the Board and management of the Company on the substantial and relevant questions received from members raised during the AGM or any questions received by the Company after 19 April 2024 via an announcement on SGXNet and the Company's website within one (1) month from the date of the AGM.

NOTICE OF RECORD AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of AnnAik Limited (the "**Company**") will be closed on **9 May 2024 at 5.00 p.m.** for the purpose of determining the members' entitlements to the first and final dividend (tax exempt one-tier) of 0.30 Singapore cent per ordinary share for the financial year ended 31 December 2023 ("**Final Dividend**") to be proposed at the AGM of the Company to be held on 29 April 2024.

Duly completed registrable transfers received by the Company's Share Registrar, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, **up to 5.00 p.m. on 9 May 2024** (the "**Record Date**") will be registered to determine members' entitlements to the proposed Final Dividend.

Members whose securities account with The Central Depository (Pte) Limited are credited with shares in the capital of the Company up to 5.00 p.m. on the Record Date will be entitled to the proposed Final Dividend.

The payment of the proposed Final Dividend, if approved by the members at the AGM to be held on 29 April 2024, will be made on or about 17 May 2024.

Notice of Annual General Meeting

PERSONAL DATA PRIVACY

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

This Notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This Notice has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this Notice including the correctness of any of the statements or opinions made or reports contained in this Notice.

The contact person for the Sponsor is Ms Audrey Mok (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

ANNAIK LIMITED

(Company Registration No. 197702066M)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the proxy, at least seven (7) working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No./Co. Registration No.)
of _____ (Address)
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 Annual General Meeting (the "**Meeting**"), as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at 52 Tuas Avenue 9, Singapore 639193 on 29 April 2024 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for, against or to abstain from voting on the resolutions to be 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 (other than the Chairman of the Meeting) will vote for, against or abstain from voting at his/her discretion. In appointing the Chairman of the Meeting as proxy, Shareholders (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

No.	Resolutions relating to:	No. of votes 'For'*	No. of votes 'Against'*	No. of votes 'Abstain'*
As Ordinary Business				
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2023			
2	Declaration of first and final dividend for the financial year ended 31 December 2023			
3	Re-election of Ms Tan Poh Hong as Director of the Company			
4	Re-election of Mr Benedict Ow Eei Phurn as Director of the Company			
5	Approval of Directors' fees amounting to S\$109,700 for the financial year ended 31 December 2023			
6	Re-appointment of Messrs UHY Lee Seng Chan & Co as Auditors and to authorise the Directors of the Company to fix their remuneration			
As Special Business				
7	General mandate to issue new shares			
8	Authority to allot and issue new ordinary shares pursuant to AnnAik Limited Scrip Dividend Scheme			
9	Renewal of Share Buy-Back Mandate			

*If you wish to exercise all your votes 'For', 'Against' or to 'Abstain' from voting, please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this _____ day of _____ 2024

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

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), 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 (other than a Relevant Intermediary*), entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A member shall specify the proportion of his/her/its shareholding to be represented by each proxy in the instrument appointing the proxies, failing which the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named. A proxy need not be a member of the Company.
3. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number or class of shares shall be specified).
4. Subject to note 8, 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 by mail or email to kknng@annaik.com and cheeseng@annaik.com, in either case, by 10.00 a.m on 26 April 2024, being no later than seventy-two (72) 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/her 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, failing which the instrument may be treated as invalid.
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 1967, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
8. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the proxy at least seven (7) working days before the Meeting, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2024.

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 seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Corporate Directory

Board of Directors

Mr Ow Chin Seng, BBM, PBM
Executive Chairman cum CEO

Mr Ow Eei Phurn Benedict
Executive Director cum Sales Director

Mr Ng Kim Keang
Executive Director cum COO

Mr Lim Geok Peng
Lead Independent Director

Ms Tan Poh Hong
Mr Gan Thiam Poh
Independent Directors

Corporate Information

Audit Committee
Mr Lim Geok Peng
Chairman and Lead Independent Director
Mr Gan Thiam Poh
Ms Tan Poh Hong

Nominating Committee
Mr Gan Thiam Poh
Chairman
Mr Lim Geok Peng
Ms Tan Poh Hong
Mr Ow Chin Seng, BBM, PBM

Remuneration Committee
Ms Tan Poh Hong
Chairman
Mr Gan Thiam Poh
Mr Lim Geok Peng

Management Team

Distribution Division
Mdm Low Kheng
Director of a subsidiary
– Singapore

Mr Ow Eei Meng Benjamin
Group Deputy CEO

Mr Tay Chee Seng
Group Finance Director
– Singapore

Manufacturing Division
Mr Lim Khan Choon
General Manager
– Malaysia

Environmental Technology &
Engineering Division
Dr Qiu Jiangping
Group President
– Environmental Business
– China

Dr Wang Jin
General Manager
– Environmental Business
– China

Company Secretary

Ms Siau Kuei Lian

Registered Office

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

Share Registrar

In.Corp Corporate Services Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712
Tel: 65 6990 8220
Fax: 65 6395 0670

Principal Bankers

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza 1
Singapore 048624

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

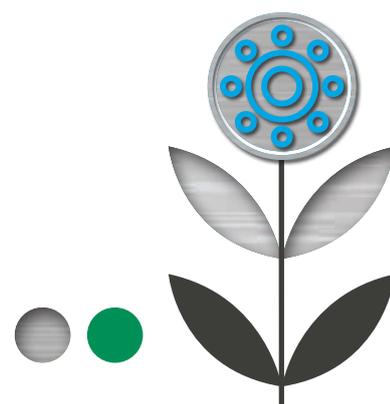
**Oversea-Chinese Banking
Corporation Limited**
65 Chulia Street
#06-00, OCBC Centre East
Singapore 049514

Sponsor

SAC Capital Private Limited
1 Robinson Road #21-00
AIA Tower
Singapore 048542

Public Accountants and Auditors

UHY Lee Seng Chan & Co.
Public Accountants and Chartered Accountants
(Partner: Mr Lee Sen Choon)
Appointed since financial year ended 31 December 2022
6001 Beach Road #14-01
Golden Mile Tower
Singapore 199589





(Company Registration No. 197702066M)

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