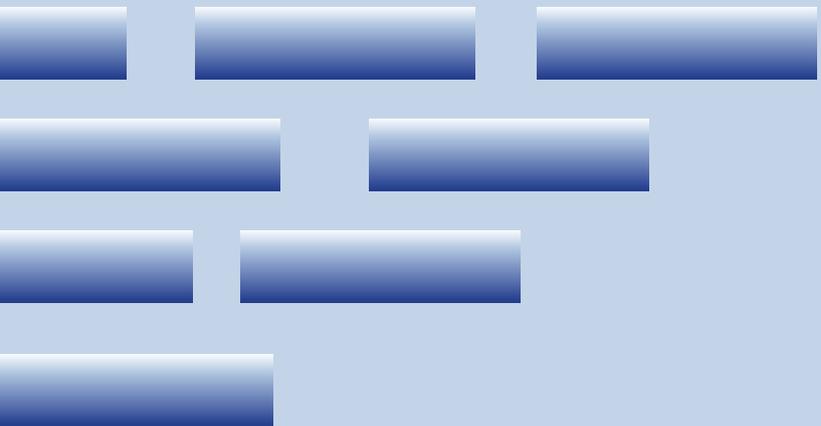


ANNICA HOLDINGS LIMITED

ANNUAL REPORT 2016



This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

The Sponsor has not independently verified the contents of this Annual Report. This Annual Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the accuracy, completeness or correctness of any of the statements or opinions made or reports contained in this Annual Report.

*The contact person for the Sponsor is Mr Bernard Lui:
Telephone number: (65) 6389 3000
Email address: bernard.lui@morganlewis.com*

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LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the board of directors (the “**Board**”), we present to you the Annual Report of Annica Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2016 (“**FY2016**”).

As Shareholders may be aware, the Group had embarked on a strategic restructuring plan in 2016. As part of this restructuring, the Group has streamlined its operations by divesting non-performing business units and focusing on three business segments: (i) Energy Services, (ii) Oil and Gas Equipment; and (iii) Engineering Services. In order to promote the sustainable management of resources and reducing the Group’s reliance on business segments inextricably aligned to the vagaries of the oil and gas industry, with the approval from Shareholders in September 2016, the Company is actively evaluating suitable businesses in the Recycling, Renewable Energy, Green Technology and complementary technology segments.

As a first step in the restructuring plan, the Group acquired 70% shareholding interest in GPE Power Systems (M) Sdn. Bhd. (“**GPE**”) in March 2016. The core business of GPE, which is classified as the Group’s Energy Services segment, is the trading, assembly and renting of power generators, pyrolysis and industrial plant and equipment and provision of related services.

Concurrent with the acquisition of GPE, the Group also rationalised its non-performing business units, disposing its entire shareholding interest in Industrial Power Technology Pte Ltd and The Think Environmental Co. Sdn. Bhd. in March 2016 (the “**Discontinued Operations**”). Owing to delays in the implementation of contracts secured by the Group’s biomass projects segment (largely due to the inability by the project owners to secure project financing), coupled with the decrease in the order book and the challenging market outlook for the sector, the Board took the decision to dispose the Discontinued Operations and cease the Group’s biomass projects segment.

The Group is now in the midst of completing the next step in its restructuring plan with the proposed acquisition of Horizon Greentech Resources Sdn. Bhd. (“**HGR**”). HGR owns and operates a waste tyre pyrolysis plant that focuses on the extrusion and recycling of end-of-life waste tyres for the production of tyre derived fuel, carbon black and scrap metal. The strategic acquisition of HGR, when completed, would kick-start the Group’s entry into the new Recycling segment.

FY2016 has been a challenging year and the performance of the Group’s Oil and Gas Equipment and Engineering Services segments were adversely affected by sluggish oil prices and unfavourable conditions in the oil and gas industry. Despite this, the Group was able to achieve revenue growth of 53% to \$19.4 million, which was largely attributable to the maiden contribution from the Group’s Energy Services segment.

However, the Group remained in a loss-making position with net losses attributable to equity holders of the Company increased by 51% to \$7.9 million, of which \$3.8 million is attributed to losses from the Discontinued Operations.

Despite the challenges circumstances as set out above, the Board is pleased to note that the Group was included in the list of top 1000 Small Medium Enterprises (“**SMEs**”) in Singapore at the 2017 SME 1000 awards held in February 2017. Currently in its 30th year, this award recognises the top 1000 SMEs in Singapore.

As at 31 December 2016, the Group strengthened its net assets value attributable to equity holders of the Company to \$5.2 million, up from \$4.9 million as at 31 December 2015. Together with the Debt Conversion Option, which reduces the Group’s overall debt gearing, the ongoing Redeemable Convertible Bonds programme and grant of Option Shares to a substantial Shareholder and strategic investor, Mr. Lim In Chong, will provide the Group with additional liquidity thereby strengthening its financial position and allowing the Group to allocate its resources more efficiently, subject to market conditions.

Moving forward, the Group will continue to streamline its operations, focus on key industries in a growth cycle and dispose of non-core assets. Towards this end, the Group is in the midst of selling its property located at 38 Kallang Place, Singapore 339166. When completed in 2017, the sale of the property will unlock cash of \$3.0 million, allowing the Group to pursue other viable and strategic investments, should the opportunities arise.

We will update Shareholders on the above developments as and when appropriate. We will also continue to review and monitor our businesses, and focus on strengthening our fundamentals for sustainable growth in the long term.

LETTER TO SHAREHOLDERS

Acknowledgments and appreciation

On behalf of the Board, we thank our valued Shareholders, business partners and working professionals for their confidence and continuous support to the Group as we continue to put in our best effort to strengthen the Group's fundamentals and enhance Shareholders' value.

We would like to convey our warmest gratitude to our fellow Board members for their invaluable guidance and advice, as well as the management and staff for their dedication and commitment to the Group as we continue to strive to overcome adversities to build up the fundamentals of the Group.

Ong Su Aun Jeffrey

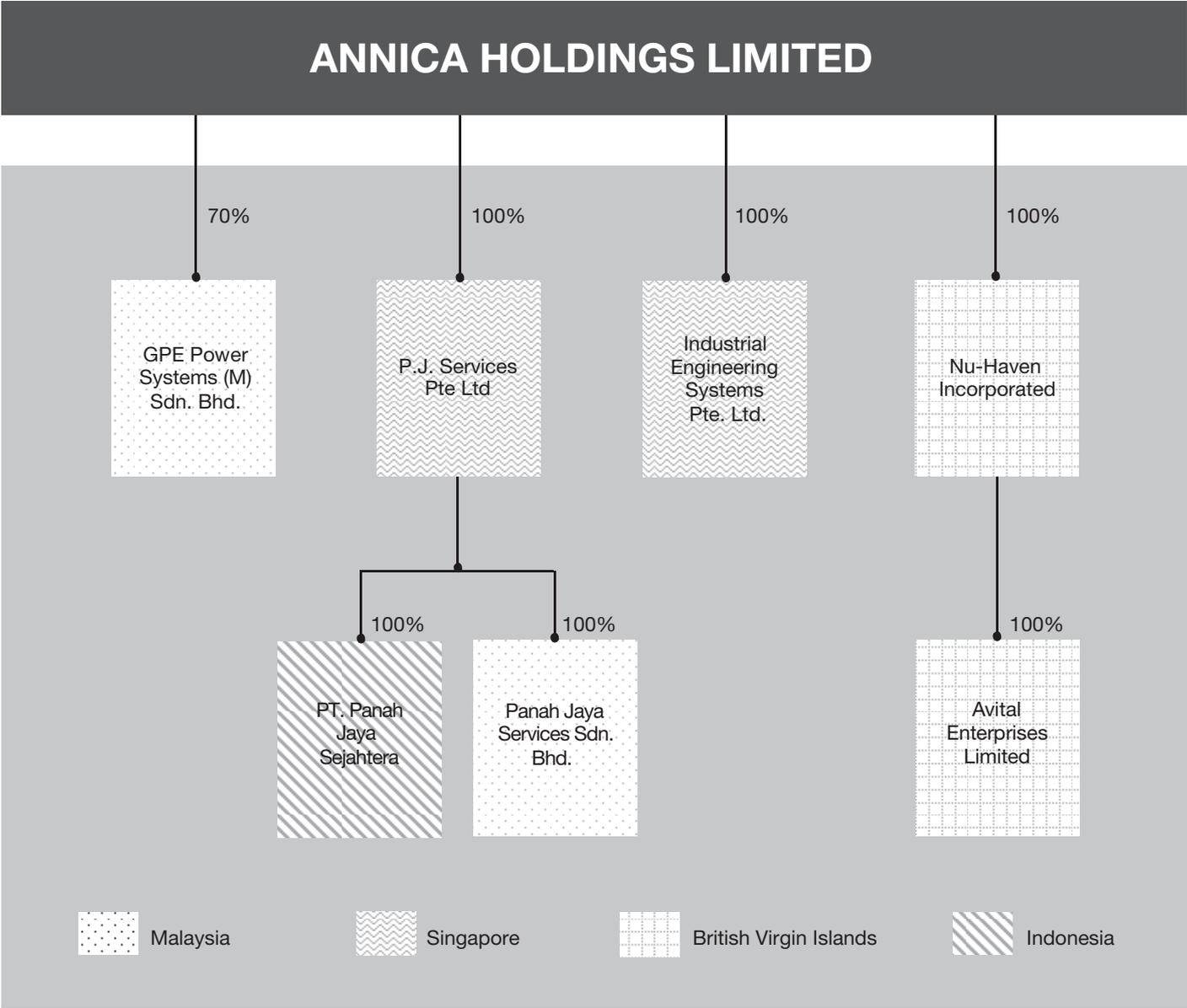
Acting Independent and Non-Executive Chairman

Sandra Liz Hon Ai Ling

Executive Director and Chief Executive Officer

11 April 2017

CORPORATE STRUCTURE



FINANCIAL REVIEW

COMPREHENSIVE INCOME

During the financial year ended 31 December 2016 (“**FY2016**”), the Group completed the disposal of its investments in non-performing subsidiaries as part of the Group’s strategic turnaround plans. Accordingly, the results of the operating subsidiaries were presented as “Continuing Operations” while those of the disposed subsidiaries were reported as “Discontinued Operations”. The comparative figures for the financial year ended 31 December 2015 (“**FY2015**”) were restated in the consolidated statement of profit or loss and other comprehensive income.

The Group posted revenue of \$19.4 million in FY2016 with contributions from the Energy services, Oil and Gas Equipment and Engineering Services segments of 62%, 25% and 13%, respectively. Geographically, the Group expanded its markets in the Asia Pacific region through its operations in Singapore, Malaysia, Indonesia, Thailand, Vietnam, Brunei and Myanmar. The Group saw an increase in its Group’s revenue mainly contributed by the Energy Services segment acquired during FY2016, however, the performance of the Oil and Gas Equipment segment, which was tied closely to operational requirements and capital expenditure budgets of major oil and gas companies, was dampened significantly during FY2016 by the sluggish oil prices and unfavourable market conditions and sentiments faced by the industry. On an overall basis, the Group’s gross margin for FY2016 weakened as the new Energy Services segment fetched a lower margin than the existing businesses.

The Group incurred higher operating expenses, mainly due to professional fees on corporate transactions undertaken during FY2016 and finance costs on issuance of redeemable convertible bonds (“**RCBs**”) and advances from a third party. The Group also made non-cash impairment adjustments on doubtful receivables and slow-moving inventories in view of the prevailing market conditions in the Asia Pacific region where the Group’s operations and customers are based. As a result, the Group reported total loss from Continuing Operations of \$4.1 million during FY2016. The Group reported total loss from Discontinued Operations of \$4.1 million which arose from the disposal of its shareholding interests in Industrial Power Technology Pte Ltd and The Think Environmental Co. Sdn. Bhd. during FY2016.

FINANCIAL POSITION

The Group’s total assets stood at \$15.4 million as at FY2016 with the inclusion of the assets and goodwill on acquisition of GPE Power Systems (M) Sdn. Bhd. (“**GPE**”). During FY2016, the Company acquired 70% shareholding interest in GPE. In addition, the Group recognised full share of the assets of Industrial Engineering Systems Pte. Ltd. in FY2016, after acquiring its remaining 22% shareholding interest. The Group owns two leasehold shop units in Malaysia and is in the process of completing the sale of a non-core property in Singapore. As at FY2016, the Group had total liabilities of \$9.9 million which comprised mainly trade liabilities and borrowings. The Group raised net proceeds of \$5.1 million from the issuance of RCBs during FY2016 which, together with the Debt Conversion exercise, the Group’s capital and reserves attributable to equity holders of the Company was strengthened to \$5.2 million as at FY2016.

CASH FLOWS

The Group held cash and cash equivalents of \$1.9 million as at FY2016. The operations of the Group and cash used in investments, including the acquisition of the Energy Services segment, were financed mainly by the proceeds from the issuance of RCBs during FY2016.

OTHER MATTER

Other than those disclosed in the financial statements, there is no significant development subsequent to the release of the Group’s and the Company’s preliminary financial statements for FY2016, as announced on 1 March 2017, which would materially affect the Group’s and the Company’s operating and financial performance as of 11 April 2017, being the date of the Directors’ Statement on pages 30 to 31 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Su Aun Jeffrey

(Acting Independent and Non-Executive Chairman)

Sandra Liz Hon Ai Ling

(Executive Director and Chief Executive Officer)

Nicholas Jeyaraj s/o Narayanan

(Non-Independent and Non-Executive Director)

Su Jun Ming

(Lead Independent and Non-Executive Director)

Adnan Bin Mansor

(Independent and Non-Executive Director)

COMPANY SECRETARIES

Tan Poh Chye Allan

Elaine Beh Pur-Lin

AUDIT COMMITTEE

Su Jun Ming (Chairman)

Ong Su Aun Jeffrey (Member)

Adnan Bin Mansor (Member)

NOMINATING COMMITTEE

Adnan Bin Mansor (Chairman)

Su Jun Ming (Member)

Ong Su Aun Jeffrey (Member)

REMUNERATION COMMITTEE

Ong Su Aun Jeffrey (Chairman)

Su Jun Ming (Member)

Adnan Bin Mansor (Member)

DATE OF INCORPORATION

20 August 1983

COMPANY REGISTRATION NUMBER

198304025N

SHARE LISTING

Listed on the Singapore Exchange Dealing and Automated Quotation System, now renamed the Catalist board of the Singapore Exchange Securities Trading Limited, in 2001

REGISTERED OFFICE

1 Raffles Place
#18-61 Tower 2
Singapore 048616

Telephone: +65 6221 1123

Facsimile: +65 6222 1161

AUDITOR

Baker Tilly TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner in-charge:

Tay Guat Peng

(appointed from the financial year ended 31 December 2015)

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Telephone: +65 6593 4848

Facsimile: +65 6593 4847

CONTINUING SPONSOR

Stamford Corporate Services Pte. Ltd.
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

SOLICITORS

Morgan Lewis Stamford LLC
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

Virtus Law LLP

1 Raffles Place
#18-61 Tower 2
Singapore 048616

PRINCIPAL BANKER

CIMB Bank Berhad
50 Raffles Place
#01-02 Singapore Land Tower
Singapore 048623

BOARD OF DIRECTORS

Ong Su Aun Jeffrey

Acting Independent and Non-Executive Chairman

Jeffrey was appointed to the Board on 9 July 2008 and was re-designated as the Acting Independent and Non-Executive Chairman on 16 February 2017. He is a partner of JLC Advisors LLP and his practice focuses on crisis litigation and commercial disputes. Jeffrey graduated with a Bachelor of Law degree from the National University of Singapore, and is an Advocate and Solicitor of the Supreme Court of Singapore and a Solicitor of the Supreme Court of England and Wales. Jeffrey also sits on the board of CW Group Holdings Limited, a company listed on the mainboard of the Stock Exchange of Hong Kong, as an independent and non-executive director. He was previously an independent and non-executive director of China Powerplus Limited.

Sandra Liz Hon Ai Ling

Executive Director and Chief Executive Officer

Sandra is the Executive Director and Chief Executive Officer and was appointed to the Board on 6 January 2016. Sandra is responsible for the Group's strategic direction, business development and overall performance. She holds a Master of Business Administration degree from the University of Strathclyde and brings with her extensive experience in corporate finance and restructuring, specialising in providing advisory to public and private companies and project financing for start-up projects. Sandra is active in the renewable energy and green technology industry and works closely with private equity players, locally and abroad. She was an independent and non-executive director of Maxtral Industry Berhad, which was formerly listed on the mainboard of Bursa Malaysia Securities Berhad.

Nicholas Jeyaraj s/o Narayanan

Non-Independent and Non-Executive Director

Nicholas is the Non-Independent and Non-Executive Director and was appointed to the Board on 10 July 2008. A partner of Nicholas & Tan Partnership LLP, Nicholas is a commercial litigation and arbitration specialist. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Fellow of the Chartered Institute of Arbitrators and the Singapore Institute of Arbitrators as well as a Commissioner for Oaths. Nicholas graduated with a Bachelor of Law (Honours) degree from the University of Wolverhampton and is a Barrister-at-law of the Inner Temple. Previously, he held offices as independent and non-executive directors of Eastern Holdings Limited, which is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and KLV Holdings Limited, which is listed on the Catalist board of SGX-ST.

Su Jun Ming

Lead Independent and Non-Executive Director

Jun Ming was appointed to the Board on 20 January 2016 as the Lead Independent and Non-Executive Director. Jun Ming is currently an associate director in a large multinational accounting and auditing firm providing corporate finance advisory services in the areas of merger and acquisition, corporate restructuring, financial modelling, corporate and financial instruments valuation and financial and operational due diligence. Jun Ming was a financial controller of a company listed on the Catalist board of the SGX-ST and he has Chartered Financial Analyst qualification.

Adnan Bin Mansor

Independent and Non-Executive Director

Adnan was appointed to the Board as the Independent and Non-Executive Director on 20 January 2016. Adnan was the technical lead of the distribution division of Tenaga National Berhad responsible for planning of substations construction and cabling. He is currently an independent consultant providing technical consultancy services on renewable energy and green technology related projects. Adnan is also a director of a privately-owned property development company in Malaysia.

KEY MANAGEMENT

Pek Seck Wei

General Manager, Industrial Engineering Systems Pte. Ltd. (“IES”)

Seck Wei is a co-founder of IES and has vast experience in the oil and gas industry. He is the General Manager of IES responsible for the management and development of the business of sale of oilfield equipment and customised engineering solutions to oil and gas companies in Singapore, Malaysia and Vietnam. Seck Wei graduated with a Bachelor of Electrical Engineering (Honours) degree from the Nanyang Technological University.

Musa Bin Mohamad Sahir

Managing Director, P. J. Services Pte Ltd and subsidiaries (“P. J. Services Group”)

Musa joined P.J Services Pte Ltd as an executive and rose through the ranks to become Managing Director in 2016, overseeing the operations of P. J. Services Group. He is also tasked with the development of new products, businesses and territories and building new agency partnerships. Musa holds a Diploma in Mechatronics Engineering from the Temasek Polytechnic and has more than 10 years of experience working in the oil and gas industry, specializing in sales, marketing and project management for procurement of oil and gas equipment for onshore and offshore platforms, vessels and pipelines.

Chong Shin Mun

Executive Director, GPE Power Systems (M) Sdn. Bhd. (“GPE”)

Shin Mun is the Executive Director of GPE and she oversees the sales, administration and general management of GPE. She was a sales executive with Hong Leong Bank before joining GPE. Shin Mun graduated with a Diploma in Marketing awarded by the SEGi College in Malaysia.

Chong Chow Heng

General Manager, GPE

Chow Heng is the General Manager of GPE and he is responsible for the overall operations and business development of GPE. Chow Heng began his career as a sales representative in the power generator business more than 30 years ago. He has extensive technical expertise and market knowledge in the industry and green technology. He has wide contacts working with major corporations in the region, including People's Republic of China, Malaysia and Singapore. Chow Heng was formerly a division manager of CLLS Pte Ltd, a Singapore company trading in power systems.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Annica Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance within the Group which is essential to the long-term sustainability of the Group’s business and performance in order to safeguard the interests of the Company’s shareholders (the “**Shareholders**”) and to enhance corporate value and accountability.

This Corporate Governance Report (“**Report**”) describes the Group’s corporate governance framework and practices that were in place during the financial year ended 31 December 2016 (“**FY2016**”) with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”), which forms part of the continuing obligations as described in the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”). The Company has complied with the principles of the Code where appropriate. Where there are any material deviations from the Code, appropriate explanations are provided.

This Report has also incorporated the guidelines in the SGX-ST’s notice: “Disclosure on Compliance with the Code of Corporate Governance 2012” dated 29 January 2015 (“**SGX-ST Notice**”). The table below is extracted from the SGX-ST Notice, and the answers to the questions raised in the table are referenced to specific sections in the following Report.

The Group continues to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure adherence to the principles and guidelines of the Code, as appropriate.

Guidelines	Questions	How has the Company complied?
General	<p>Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>The Company has complied materially with the principles and guidelines in the Code.</p> <p>Appropriate explanations have been provided in the relevant sections below where there are deviations to the Code.</p> <p>Not applicable. The Company did not adopt any alternative corporate governance practices in FY2016.</p>
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Section 1.6
Members of the Board		
Guideline 2.6	<p>(a) What is the Board’s policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness.</p>	<p>Sections 2.2 and 2.3</p> <p>Sections 2.2 and 2.3</p> <p>Section 2.3</p>
Guideline 4.6	<p>Please describe the board nomination process for the Company in the last financial year for:</p> <p>(i) selecting and appointing new directors; and</p> <p>(ii) re-electing incumbent directors.</p>	<p>Section 4.4</p> <p>Section 4.12</p>

CORPORATE GOVERNANCE REPORT

Guidelines	Questions	How has the Company complied?
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Section 1.7
	(b) What are the types of information and training provided to:	Section 1.8
	(i) new directors; and (ii) existing directors to keep them up-to date?	
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Section 4.7
	(b) If a maximum number has not been determined, what are the reasons?	Section 4.7
	(c) What are the specific considerations deciding on the capacity of directors?	Section 4.7
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	Section 5
	(b) Has the Board met its performance objectives?	Section 5.6
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Section 2.4
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	Section 4.8
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Section 4.8
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Section 2.6
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Section 9.2

CORPORATE GOVERNANCE REPORT

Guidelines	Questions	How has the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of \$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Sections 9.3 and 9.7
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Section 9.4
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds \$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Section 9.9
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	Section 9.1
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	Section 8.2
	(c) Were all of these performance conditions met? If not, what were the reasons?	Section 8.2
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Section 6
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Section 14
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	Section 11.7
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: <ul style="list-style-type: none"> (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above? 	Section 11.7

CORPORATE GOVERNANCE REPORT

Guidelines	Questions	How has the Company complied?
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	Section 12.6
	(b) If the external auditor has supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Section 12.6
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	Section 17.3
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Section 16.3
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Section 16.3
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Section 16.4

(A) BOARD MATTERS

1. The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.

1.1 The primary function of the Board is to lead and control the Group's operations and affairs and to protect and enhance Shareholders' value. Apart from its statutory responsibilities, the Board's role is to:

- establish and determine the Group's corporate strategies and set directions and goals; and monitor the performance of these objectives to enhance and build long-term sustainable value for Shareholders;
- oversee the management, business and affairs of the Group with particular attention paid to growth and financial performance;
- establish a framework of prudent and effective controls which enable risks to be assessed and managed;
- review the Group's financial reports and performance of the key management personnel of the respective businesses within the Group ("**Management**");
- consider sustainability issues in the formulation of its strategies;
- approve annual budgets, business plans, major funding proposals, financial restructuring, Share issuance, investment and divestment proposals;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; and
- ensure that the Group meets good corporate governance standards.

CORPORATE GOVERNANCE REPORT

- 1.2 Composition of the Board and the position, dates of initial appointment and last re-election of each Director are set out below:

Name of Director	Designation	Date of appointment	Date of last re-election
Ong Su Aun Jeffrey	Acting Independent and Non-Executive Chairman (from 16 February 2017)	9 July 2008	29 April 2016
	Independent and Non-Executive Director (up to 15 February 2017)		
Sandra Liz Hon Ai Ling	Executive Director and Chief Executive Officer	6 January 2016	29 April 2016
Nicholas Jeyaraj s/o Narayanan	Non-Independent and Non-Executive Director	10 July 2008	29 April 2016
Su Jun Ming	Lead Independent and Non-Executive Director	20 January 2016	29 April 2016
Adnan Bin Mansor	Independent and Non-Executive Director	20 January 2016	29 April 2016

Note:

Mr. Edwin Sugiarto has resigned from the Board on 6 January 2016. Mr. Augustine A/L T.K. James and Mr. N. Sivagurunathan V. Narayanasamy have resigned from the Board on 20 January 2016.

- 1.3 To facilitate effective management and support the Board in its duties, certain functions have been delegated to various committees, namely, the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) (collectively as “Board Committees”). The Board delegates the day-to-day management of the Group to Management, but retains responsibility for the overall strategy, governance and performance of the Group.
- 1.4 Composition of the Board Committees is set out below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee
Ong Su Aun Jeffrey	Member	Member	Chairman
Su Jun Ming	Chairman	Member	Member
Adnan Bin Mansor	Member	Chairman	Member

- 1.5 The Board holds regular meetings to review, consider and approve strategic, operational and financial matters. Important matters concerning the Group are put before the Board for its decisions and approvals. Ad-hoc meetings are held when circumstances require and when the Board is required to address significant issues that may arise between scheduled meetings. The Company’s constitution (“Constitution”) provides for meetings to be conducted by way of a telephone conference and/or by means of similar communication equipment where all the directors of the Company (the “Directors” and individually a “Director”) participating in the meetings are able to hear each other. Management is invited to attend the meetings to present information and/or render clarification when required. Where physical meetings are not possible, timely communication between Directors and Board Committees can be achieved via electronic means and the circulation of written resolutions for approval by Directors or Board Committees’ members.

CORPORATE GOVERNANCE REPORT

- 1.6 Matters that are specifically reserved for the approval of the Board include, among others:
- approving the policies, strategies and financial objectives and monitoring the performance of Management;
 - overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
 - approving the nominations of persons to the Board and appointments of Management;
 - approving annual budgets, major funding proposals, corporate or financial restructuring and investments and divestment proposals;
 - assuming responsibility for corporate governance and compliance with the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and the rules and requirements of regulatory bodies; and
 - assuming responsibility for the satisfactory fulfilment of the corporate social responsibilities of the Group.
- 1.7 There were three new appointments to the Board during FY2016, namely, Ms. Sandra Liz Hon Ai Ling, Mr. Su Jun Ming and Mr. Adnan Bin Mansor, all of whom were appointed to the Board in January 2016. The new Directors were presented the Group’s businesses and operations by the existing Board and Management to give them an understanding of the Group’s strategic direction as well as industry-specific knowledge so as to enable them to assimilate into their new roles. The Company Secretary also briefed the new Directors on their duties and responsibilities as a Director, the continuing listing obligations pursuant to the Catalist Rules and the Group’s corporate governance practices. The new Directors have also attended the “Listing Company Director Essentials: Understanding the Regulatory Environment in Singapore” course organised by the Singapore Institute of Directors.
- 1.8 The Board recognises the importance of appropriate orientation training and continuing education for its Directors. The Company encourages Directors to update themselves on new rules and regulations which are relevant to the Group to keep pace with regulatory changes. When required, the Company will assist in arranging and funding relevant training courses and seminars for Directors. Directors are also briefed by the external auditor on the developments in Singapore Financial Reporting Standards and the related changes that affect the Group.
- 1.9 The attendance of Directors at Board and Board Committees meetings held during FY2016 is set out below:

	Board	Board Committees		
		Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	6	3	3	4
Name of Director	Number of meetings attended			
Ong Su Aun Jeffrey	6	3	3	4
Sandra Liz Hon Ai Ling	6	3*	3*	4*
Nicholas Jeyaraj s/o Narayanan	6	3*	3*	4*
Su Jun Ming	6	3	3	4
Adnan Bin Mansor	6	3	3	4
Augustine A/L T.K. James ^(a)	2 (1*)	–	1*	1
N. Sivagurunathan V. Narayanasamy ^(a)	2 (1*)	–	1*	1

* Attendance by invitation of the respective Board Committees

Notes:

- (a) Mr. Augustine A/L T.K. James and Mr. N. Sivagurunathan V. Narayanasamy have resigned from the Board and the respective Board Committees on 20 January 2016.
- (b) Mr. Edwin Sugiarto has resigned from the Board on 6 January 2016. There were no Board and Board Committee meetings held during his tenure as a Director in FY2016.

CORPORATE GOVERNANCE REPORT

2. Board Composition and Guidance

Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

- 2.1 The Board is made up of one (1) Acting Independent and Non-Executive Chairman (from 16 February 2017), one (1) Executive Director, one (1) Non-Independent and Non-Executive Director and two (2) Independent and Non-Executive Directors.
- 2.2 The Board comprises individuals from different backgrounds whose core competencies, qualifications, skills and experiences are extensive and complementary, in the areas of accounting, finance, business and management, as well as legal. The diversity of experience, competence and knowledge provides direction to, oversight and supervision of the Group.
- 2.3 The Board's composition, size, and balance and independence of each Independent and Non-Executive Director are reviewed by the NC. The Board comprises Directors of different genders and who have the right core competencies and diversity of experiences and skills to enable them, in their collective wisdom, to contribute effectively. Profiles of Directors are found in the "Board of Directors" section of this Annual Report.
- 2.4 The Board is aware of Guideline 2.2 of the Code which provides that Independent Directors should make up at least half of the Board where the Chairman of the Board is part of the management team. As the Acting Chairman is not part of Management, Guideline 2.2 of the Code does not apply to the Company. Nevertheless, more than half of the Board is made up of Independent Directors.
- 2.5 The Board considers its size and composition as at FY2016 appropriate, taking into account the nature and scope of the Group's operations and the skills and knowledge of Directors. The Board has sought and obtained written confirmations from each of the Independent and Non-Executive Directors on their independence in accordance with Guideline 2.3 of the Code. Having reviewed the declaration from each of the Independent and Non-Executive Directors, the Board, with concurrence of the NC, is satisfied that notwithstanding the existence of a business relationship between the Company and Mr. Ong Su Aun Jeffrey (details of which are set out in Section 4.8 herein), all the three (3) Independent and Non-Executive Directors are able to exercise independent judgement in the best interest of the Company and are therefore independent.
- 2.6 The Board is of the view that the independence of the Independent Directors must be based on the substance of their professionalism, integrity and objectivity and not merely based on form, such as the number of years which they have served on the Board. For an Independent Director who has served on the Board for more than nine (9) years from the date of his appointment, the Board and the NC will subject his independence to a particularly rigorous review by all the other Directors, before extending his tenure as a Director. There are no Independent Directors who has served on the Board for more than nine (9) years as at the date of this Report.
- 2.7 The Independent and Non-Executive Directors meet without the presence of Management when necessary and they are kept well-informed of the Group's business, prospective deals and potential development. The Independent and Non-Executive Directors participate in and constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of such performance.

3. Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

- 3.1 Ms. Sandra Liz Hon Ai Ling was appointed as the Executive Director and Chief Executive Officer on 6 January 2016. Mr. Ong Su Aun Jeffrey was re-designated as the Acting Independent and Non-Executive Chairman from 16 February 2017 to fill the position vacated by Mr. Edwin Sugiarto, who relinquished his role as Chairman and Executive Director on 6 January 2016. The positions of Chief Executive Officer and Chairman are kept separate, ensuring a proper balance of power and authority in the Group.

CORPORATE GOVERNANCE REPORT

- 3.2 The Acting Chairman leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the Chief Executive Officer. The Acting Chairman monitors communications and relations between the Company and its Shareholders, within the Board and between the Board and Management, with a view of encouraging constructive relations and dialogue amongst them.
- 3.3 The Chief Executive Officer, in close consultation with all the Board members, is responsible for the long-term business direction and strategy of the Group, the implementation of the Group's corporate plans and policies and executive decision-making. The Chief Executive Officer is assisted by the Company Secretary at all Board meetings and on statutory matters and where necessary, the external auditor of the Company and other external consultants are invited to attend Board meetings to assist the Chief Executive Officer and the other Directors in their deliberations.
- 3.4 The Board is of the view that the three (3) Board Committees and the Board's composition are appropriate and effective for the fulfilment of the Board's roles and responsibilities and adequate safeguards are in place to prevent an uneven concentration of power and authority in a single individual. All major decisions relating to the operations and management of the Group are jointly and collectively made by the Board after taking into account the opinion of all Directors. As such, there is a balance of power and authority and no single individual controls or dominates the decision-making process of the Group. The Board, taking into consideration the nature and scope of the Group's operations and the impact of the number of Directors for effectiveness in decision making, is of the view that the current board size of five (5) Directors is appropriate.
- 3.5 Notwithstanding that Guideline 3.3 of the Code does not apply to the Company, the Board has appointed Mr. Su Jun Ming as the Lead Independent and Non-Executive Director to lead and coordinate the meetings of the Independent and Non-Executive Directors. The Lead Independent Director is available to Shareholders when they have concerns and for which contact through the normal channels of the Chief Executive Officer has failed to resolve or is inappropriate.
- 3.6 Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other Directors, and he provides feedback to the Chief Executive Officer after such meetings.

(B) BOARD COMMITTEES

4. Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

- 4.1 The NC comprises Board members who are entirely Independent and Non-Executive Directors.
- 4.2 The role of the NC is to make recommendations to the Board on all Board appointments. The NC is scheduled to meet at least once a year.
- 4.3 The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the particular experience, knowledge and business, finance and management skills necessary to the Group's businesses and each Director, through his/her contributions, brings to the Board an independent and balanced perspective to enable balanced and well-considered decisions to be made.
- 4.4 The NC ensures that there is a formal and transparent process for all new appointments to the Board. Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director. The NC, in consultation with the Board, determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. The NC would meet and interview the shortlisted candidates to assess their suitability and ensure that the candidates are aware of the expectation and the level of commitment required before making recommendations to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

- 4.5 The NC has, at its disposal, executive search companies, personal contacts and recommendations in its search and nomination process for the right candidates.
- 4.6 The NC is also responsible for:
- the review of Board succession plans for Directors, in particular, for the Chief Executive Officer;
 - the review of training and professional development programs for the Board;
 - the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;
 - the nomination of retiring Directors for re-election having regard to the Director's contribution and performance;
 - determining on an annual basis whether or not a Director is independent;
 - deciding whether a Director, who has multiple board representations, is able to and has adequately carried out his/her duties as Director; and
 - making recommendations to the Board on all Board re-appointments, including the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board.
- 4.7 The NC, after discussion with Directors, is satisfied that sufficient time and attention has been given by Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations. When a Director has multiple board representations, the NC considers whether the Director is able to and has adequately carried 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. The NC is of the view that there is presently no need to implement internal guidelines on the maximum number of listed company board representations which any Director may hold. The NC will continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group to adequately discharge his/her duties as a Director of the Company. None of our Directors has an alternate director.
- 4.8 The independence of each Director is reviewed by the NC with reference to the guidelines set out in the Code. The NC assesses the independence of Directors annually and as and when circumstances require and also considers any other salient factors. During FY2016, the Company received professional services rendered by JLC Advisors LLP, of which Mr. Ong Su Aun Jeffrey, the Acting Independent and Non-Executive Chairman, is an equity partner. The total fees payable to JLC Advisors LLP amounted to \$80,000 during FY2016. The NC (with abstention by Mr. Ong Su Aun Jeffrey) reviewed and assessed the nature of the services rendered by JLC Advisors LLP and taking into consideration that the fees paid to JLC Advisors LLP in FY2016 were not significant as they did not exceed \$200,000 and that Mr. Ong Su Aun Jeffrey was not involved in the negotiations of the fees and terms for the appointment of JLC Advisors LLP, the NC is of the view that the business relationship with JLC Advisors LLP has not interfered with the exercise of independent judgement in the best interest of the Company by Mr. Ong Su Aun Jeffrey in his role as the Acting Independent Non-Executive Chairman. As such, he is deemed independent. Accordingly, the NC considers all three (3) Independent and Non-Executive Directors to be independent and the NC is satisfied that during FY2016, there are no relationships which would deem any of the Independent and Non-Executive Directors not to be independent.
- 4.9 All Directors other than the Executive Director shall submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years.
- 4.10 The NC met to consider and deliberate on the re-appointment of Directors at the coming annual general meeting of the Company ("**AGM**").

CORPORATE GOVERNANCE REPORT

- 4.11 As provided by the Constitution, at each AGM of the Company, one-third of the Board shall retire and if desired, the retiring Directors may offer themselves for re-election. Mr. Su Jun Ming and Mr. Adnan Bin Mansor, who are Independent and Non-Executive Directors of the Company, were re-elected at the AGM held on 29 April 2016 and are due for retirement by rotation pursuant to Article 104 of the Constitution. Both Mr. Su Jun Ming and Mr. Adnan Bin Mansor, being eligible, have offered themselves for re-election at the forthcoming AGM.
- 4.12 The NC, having considered their contributions to the effectiveness of the Board, has recommended the nominations of Mr. Su Jun Ming and Mr. Adnan Bin Mansor for re-election at the forthcoming AGM.

5. Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

- 5.1 The NC is responsible for deciding how the Board's performance may be evaluated, proposing objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.
- 5.2 In assessing the performance of Directors, the NC evaluates each Director based on the following review parameters, including:
- attendance at Board and Board Committees meetings;
 - participation at meetings;
 - ability to carry out his/her duties;
 - involvement in management;
 - availability for consultation and advice, when required;
 - independence of the Director; and
 - appropriate skill, experience and expertise.
- 5.3 The NC also evaluates the performance and effectiveness of the Board as a whole, taking into account the Board's balance and mix.
- 5.4 The NC evaluates the performance of the Board, Board Committees and individual Directors based on the performance criteria set by the Board. The NC will further decide on how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, will be approved by the Board and will address how the Board has enhanced long-term Shareholders' value.
- 5.5 The criteria for assessing the Board and Board Committees' performance include composition and size, processes, accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance provided to and communication with Management. The criteria for assessing Director's contribution include, inter alia, the level of contribution to Board meetings, commitment of time, and overall effectiveness. As part of the evaluation process, each Director completes an appraisal form which is then collated by the Company Secretary who will submit to the Chairman of the NC in the form of a summary report. The summary report will be discussed during the NC meeting with a view to implement recommendations to further enhance the effectiveness of the Board.
- 5.6 The NC, having reviewed the overall performance of the Board and the Board Committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and each Director's performance, is of the view that the performance of the Board and each Director has been satisfactory.

CORPORATE GOVERNANCE REPORT

6. Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

- 6.1 All Directors have unrestricted access to the Group's records and information and all Board and Board Committees minutes, and receive management accounts so as to enable them to carry out their duties. Directors may also liaise with Management to seek additional information if required.
- 6.2 Board papers and meeting agendas are sent to all Directors before meetings so that Directors may have better understanding of the issues beforehand, thus allowing more time at such meetings for questions that Directors may have.
- 6.3 Should Directors, whether as a group or individually, require independent professional advice, specialised knowledge or expert opinions before decisions can be made by the Board, the Company, upon direction by the Board, shall appoint a professional advisor to render advice. The cost shall be borne by the Company.
- 6.4 Directors also have independent access to the Company Secretary, who provides the Board with regular updates on the requirements and ensures that Board procedures as well as applicable rules and regulations are followed. The Company Secretary is present at all formal Board and Board Committees meetings to respond to the queries of any Director. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

(C) REMUNERATION MATTERS

7. Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

- 7.1 The Company's RC was set up to determine the remuneration of Directors and Management of the Group. The RC comprises Board members who are entirely Independent and Non-Executive Directors.
- 7.2 The responsibilities of the RC are as follows:
- recommend to the Board on matters relating to remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind, of the Directors and Management;
 - review and recommend to the Board the terms of the service agreements of the Directors;
 - determine the appropriateness of the remuneration of the Directors; and
 - consider the disclosure requirements for Directors and Management's remuneration.
- 7.3 The RC meets at least once a year. In its deliberations, the RC takes into consideration the industry practices and norms for remuneration packages. The RC has full authority to obtain independent professional advice on matters relating to remunerations as and when the need arises at the Company's expense. During FY2016, the RC did not engage any remuneration consultant in relation to remuneration matters of the Group.
- 7.4 The RC recommends to the Board, in consultation with the Company's Executive Director, a framework of remuneration for the Board and Management, any long-term incentive schemes and determines specific remuneration packages for each Executive Director and Management. No Director is involved in deciding his or her own remuneration.

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- 7.5 The RC reviews the contracts of service of Directors and Management to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. There are no termination, retirement and any post-employment benefits that would accrue or be due to any Director or Management upon their termination, dismissal or retirement from the Group.
- 7.6 Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his/her own remuneration package, except for providing information and documents specifically requested by the RC to assist it in its deliberations.
- 7.7 The remuneration package of the Executive Director is based on a service contract. Each Non-Executive Director receives Directors' fees annually, the amount of which is recommended by the Board and subject to Shareholders' approval at each AGM.

8. Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

- 8.1 The remuneration policy of the Group is to provide compensation packages at market rates that reward successful performance and attract, retain and motivate Directors and Management.
- 8.2 The Group's remuneration policy comprises fixed and variable components. The fixed component is in the form of fixed monthly salary whereas the variable component is linked to individual performance and overall performance of the Group. The RC is of the view that the performance of Directors and Management has been satisfactory.
- 8.3 In setting remuneration packages, the RC ensures that Directors and Management are adequately but not excessively remunerated as compared to the industry and in comparable companies. In addition, the RC will perform an annual review of the remuneration of Management as well as employees related to Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these Management and employees.
- 8.4 All Non-Executive Directors receive Directors' fees which are recommended by the Board based on each Director's responsibilities and are subject to approval by Shareholders at each AGM. The Executive Director is not paid a Director's fee. Except as disclosed, the Non-Executive Directors do not receive any remuneration from the Company.
- 8.5 The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Director's remuneration paid in prior years in exceptional circumstances of mismanagement of financial results, or of misconduct resulting in financial loss, as the Executive Director owes a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Director in the event of such breach of fiduciary duties.

9. Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

- 9.1 In recommending the level and mix of remuneration, the RC seeks to establish a framework for attending, retaining and motivating employees. The Group subscribes to linking remuneration paid to Directors and Management to the Group and individual's performance based on annual appraisal. The level and structure of remuneration of Directors and Management are aligned with the long-term interest and risk policies of the Group.

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9.2 A breakdown showing the level and mix of remuneration of each Director for FY2016 is as follows:

Remuneration Band and Name of Director	Salary %	Bonus %	Director's fee %	Allowances and benefits in kind %	Fees paid as a director of subsidiaries %	Total %
\$499,999 to \$1,000,000 and above						
None	–	–	–	–	–	–
\$250,000 to \$499,999						
None	–	–	–	–	–	–
Below \$250,000						
Ong Su Aun Jeffrey	–	–	95	5	–	100
Sandra Liz Hon Ai Ling	71	8	–	21	–	100
Nicholas Jeyaraj s/o Narayanan	–	–	62	5	33	100
Su Jun Ming	–	–	94	6	–	100
Adnan Bin Mansor	–	–	93	7	–	100

9.3 The Group has four (4) key management executives who formed the Management and their level and mix of remuneration for FY2016 are set out below:

Remuneration Band and Name of key management executive	Salary %	Bonus %	Allowances and benefits in kind %	Fee payable as a director of a subsidiary %	Total %
\$499,999 to \$1,000,000 and above					
None	–	–	–	–	–
\$250,000 to \$499,999					
None	–	–	–	–	–
Below \$250,000					
Pek Seck Wei (General Manager, Industrial Engineering Systems Pte. Ltd.)	100	–	–	–	100
Musa Bin Mohamad Sahir (Managing Director, P.J. Services Pte Ltd)	51	42	7	–	100
Chong Shin Mun ^{(a)(b)} (Executive Director, GPE Power Systems (M) Sdn. Bhd.)	48	–	7	45	100
Chong Chow Heng ^(b) (General Manager, GPE Power Systems (M) Sdn. Bhd.)	48	29	23	–	100

Notes:

(a) Ms. Chong Shin Mun is a substantial shareholder of the Company. Ms. Chong Shin Mun holds 30% interest in GPE Power Systems (M) Sdn. Bhd..

(b) Mr. Chong Chow Heng is the father of Ms. Chong Shin Mun.

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The level and mix of remuneration of key management executives who have ceased to be Management during FY2016 are set out below:

Remuneration Band and Name of key management executive who ceased to be Management	Salary %	Bonus %	Allowances and benefits in kind %	Total %
\$499,999 to \$1,000,000 and above				
None	–	–	–	–
\$250,000 to \$499,999				
Edwin Sugiarto (Chief Operating Officer, from 6 January 2016 to 23 December 2016)	92	8	–	100
Below \$250,000				
Mohd Nor Azmi Nordin (Managing Director, P.J. Services Pte Ltd, up to 30 April 2016)	52	28	20	100

- 9.4 In aggregate, the total remuneration paid/payable to Management during FY2016 was \$655,000. Other than the above, the Group does not have key employees who are not Directors and/or Management.
- 9.5 The RC has recommended that the Independent and Non-Executive Directors be paid an aggregate sum of \$116,000 for the financial year ending 31 December 2017, payable quarterly in arrears, as Director's fees, which will be tabled at the forthcoming AGM for approval by the Shareholders. If approved, payments would be made after the AGM. The sum was arrived at after taking into consideration the contributions, responsibilities and efforts of the current Non-Executive Directors. As at FY2016, the outstanding Directors' fees amounted to \$168,000.
- 9.6 The aggregate remuneration and the remuneration details of the Directors and Management (in bands of \$250,000 and in terms of percentage mix of remuneration and on a named basis) are disclosed in this Report. As satisfactory disclosure has been made in this Report as well as in the financial statements of the Company, and in view of confidentiality, the Board is of the opinion that it is not in the best interests of the Company to disclose the exact remuneration of Directors and Management due to the sensitive nature of this information and to prevent solicitation of Management by the Company's competitors.
- 9.7 The Board advocates a performance-based remuneration system for Executive Directors and Management that is flexible and responsive to the market, which includes a base salary and other fixed allowances, as well as variable performance bonuses which is based on the performance of the Group and the individual's contribution and skills such as leadership, business acumen, relationship with customers and people management skills.
- 9.8 There is no employee in the Group who is an immediate family member of a Director and whose remuneration exceeded \$50,000 during FY2016. As disclosed in this Report, Ms. Chong Shin Mun, the Executive Director of GPE, is the daughter of Mr. Chong Chow Heng, who is the General Manager of GPE.
- 9.9 There is no material contract or loan by the Group involving the interest of any Director or controlling shareholder, either still subsisting at the end of the financial year, or if not then subsisting, entered into since the end of the financial year ended 31 December 2015, being the immediate preceding financial year.

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- 9.10 At an extraordinary general meeting of the Company held on 2 September 2016, Shareholders approved the adoption of the Annica Performance Share Plan and the Annica Employee Share Option Scheme (the “Schemes”) for awarding of ordinary shares of the Company (“Shares”) and granting of non-transferrable options to full-time or permanent part-time employees, Executive Directors and Non-Executive Directors of the Company and its subsidiaries (“Participants”). The Schemes operate to attract, retain and provide long-term incentives to Participants to encourage greater dedication and loyalty by enabling the Company to give recognition for past contributions and services as well as motivating Participants generally to contribute towards the Group’s long-term success.

Under the Schemes, the Company may award Shares or grant options to Participants to subscribe for Shares in the Company provided that the aggregate number of Shares to be issued pursuant to the Schemes shall not exceed 15% of the issued Shares of the Company from time to time.

The Schemes are administered by the Performance Share Plan Committee comprising Ms. Sandra Liz Hon Ai Ling, Executive Director and Chief Executive Officer, and the RC.

There are no Shares or options granted to Participants under the Schemes by the Company during FY2016. Further details on the Schemes are set out in the Company’s circular dated 18 August 2016.

(D) ACCOUNTABILITY AND AUDIT

10. Accountability

Principle 10: The board should present a balanced and understandable assessment of the company’s performance, position and prospects.

- 10.1 The Board is accountable to Shareholders while Management is accountable to the Board. The Board aims to provide a balanced and understandable assessment of the Group’s financial performance, and recognises the need to communicate with shareholders on all matters affecting the Group’s performance, position and prospects. The Company provides information pertaining to the operations, performance and financial position of the Group to all Shareholders through announcements posted via the SGXNET and the Company’s annual reports.
- 10.2 The Board will take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.
- 10.3 Management will provide the Board with detailed management accounts of the Group’s performance, position and prospects on a quarterly basis. Management also presents to the Board the half-year and full-year results announcements and the AC reports to the Board on the financial and operational results for review and approval by the Board. The Board approves the results announcements after review and authorises their release to the Shareholders via the SGXNET.

11. Risk Management and Internal Controls

Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the company’s assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

- 11.1 The Board acknowledges that it is responsible for maintaining a sound system of internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, and can provide only reasonable and not absolute assurance against material misstatement or loss. Furthermore, the Board also acknowledges that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.
- 11.2 The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

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11.3 The controls in place include:

- regular submissions, on a quarterly basis, by Management of updated financial information of operating business units, and if necessary, follow-up meetings with Management on any irregular or extraordinary expenses;
- regular submissions, either on a monthly or quarterly basis, by Management of operating milestones of the respective business units and, if necessary, follow-up meetings with Management on any milestones not achieved; and
- half-yearly meetings with the external auditor to review the financial statements of the operating businesses of the Group.

11.4 The AC is given full access to Management and receives its full cooperation. The AC has full discretion to invite any Director or Management to attend its meetings. It has full access to the Group's records, resources and personnel to enable it to discharge its functions properly.

11.5 The AC meets with the external auditor without the presence of Management at least once a year in order to have free and unfiltered access to information it may require and may raise any query or clarify any issues with the external auditor on matters relating to the internal controls.

11.6 The external auditor updates the AC on the changes in accounting standards which may have a direct impact on financial statements during AC meetings.

11.7 The Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems, based on (i) work performed by the external auditor; (ii) various controls implemented by Management; and (iii) confirmation from Ms. Sandra Liz Hon Ai Ling, the Executive Director and Chief Executive Officer, who is also responsible for the financial matters of the Group, that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the internal control policies and procedures established and maintained by the Group are adequate and effective.

12. Audit Committee

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

12.1 The AC performs its functions in accordance with Section 201B(5) of the Companies Act and the requirements of the Catalist Rules. The AC comprises Board members who are entirely Independent and Non-Executive Directors.

12.2 The AC assists the Board to maintain a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the financial reporting, the management of financial and control risks, and monitoring the internal control systems.

12.3 The responsibilities of the AC are as follows:

- review the audit plans of the external auditor and ensure the adequacy of the Group's system of accounting controls and the co-operation given by Management to the external auditor;
- review the financial statements of the Group before their submission to the Board and before their announcement;
- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- review the cost effectiveness and the independence and objectivity of the external auditor;

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- review the nature and extent of non-audit services provided by the external auditor;
- review the assistance given by the Group's officers to the external auditor;
- nominate the external auditor for re-appointment;
- review the Company's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, and by such amendments made thereto from time to time;
- review interested person transactions in accordance with the requirements of the Catalist Rules; and
- review the adequacy of the Group's internal controls.

12.4 The AC has power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC has been given full access to and full co-operation with Management and has reasonable resources to enable it to discharge its functions properly.

12.5 The AC meets up with the external auditor separately at least once a year without the presence of Management, in order to have free and unfiltered access to information that it may require. Changes to accounting standards and accounting issues, if any, which have a direct impact on the financial statements are reported to the AC, and highlighted by the external auditor in their meetings with the AC.

12.6 The AC reviews the scope and work performed by the external auditor. The AC has also undertaken a review of all non-audit services rendered by the external auditor and is satisfied that these non-audit services would not affect the independence and objectivity of the external auditor. The aggregate amount of audit fees and non-audit fees paid and/or payable to the auditors, Baker Tilly TFW LLP, for FY2016 amounted to \$143,000 and \$12,000, respectively.

12.7 The AC recommends to the Board the re-appointment of Baker Tilly TFW LLP as the external auditor of the Company at the forthcoming AGM.

12.8 The Company has complied with Rules 712, 715 and 716 of the Catalist Rules in relation to the appointment of external auditor for the Company and its subsidiaries.

13. Whistle-blowing Policy

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from reprisals or victimisation for whistle-blowing in good faith. Cases that are significant are objectively investigated by the AC and appropriate remedial measures are taken where warranted to correct weaknesses in the existing internal control system so as to prevent a recurrence.

14. Internal Audit

Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

14.1 The Board recognises that it is responsible for maintaining a system of internal controls to safeguard Shareholders' interests and the Group's businesses and assets. Together with Management, the Board identifies and evaluates significant risks applicable to the Group's business as well as establish and design an appropriate internal control system and Management is tasked to operate and implement the internal control procedures. These risks are assessed on a regular basis.

CORPORATE GOVERNANCE REPORT

- 14.2 Through the reports from Management and external auditor on any material non-compliance and internal control weaknesses, the AC oversees and monitors the implementation of any improvements thereto and reviews the adequacy and effectiveness of the internal control system annually. As and when the need arises, the AC will propose the engagement of an internal audit firm to carry out the internal audit function. The AC approves the appointment, plan and fees of the internal auditor, who reports primarily to the AC, has unfettered access to the Group's documents, records, properties and personnel, including access to the AC as and when needed in order to carry out its work.
- 14.3 For FY2016, the AC reviewed with the external auditor its findings on the existence and adequacy of material accounting control procedures as part of its audit. The AC is of the view that the work carried out by the external auditor for FY2016 is adequate.

(E) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

15. Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

- 15.1 All Shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, the Board's policy is that all Shareholders should be regularly informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.
- 15.2 The Company believes in regular and prompt communication with Shareholders and in providing clear and fair disclosure of information on major developments and financial performance which could have a material impact on the share price of the Company.
- 15.3 Shareholders are informed of general meetings through notices contained in the annual reports or circulars sent to all Shareholders. These notices are also published in the newspapers and posted onto the SGXNET. Shareholders are encouraged to participate at general meetings. Resolutions are, where practicable, passed through a process of voting and Shareholders are entitled to vote in accordance with the established voting rules and procedures. A Shareholder (other than a relevant intermediary as defined in section 181 of the Companies Act ("**Relevant Intermediary**")) who is entitled to attend and vote may either vote in person or in absentia through the appointment of not more than two (2) proxies. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary, such as banks, capital markets services license holders which provide custodial services for securities and the Central Provident Fund Board, is entitled to appoint more than two (2) proxies to attend, speak and vote at the general meetings of the Company. This will enable indirect investors to be appointed as proxies to participate at general meetings.

16. Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

- 16.1 The Company is mindful of the obligation to provide regular, effective and fair communication with Shareholders and is committed to provide Shareholders with material information in a timely and transparent manner.
- 16.2 The Company believes that prompt disclosure of relevant information and a high standard of disclosure are keys to raising the level of corporate governance. The Company's policy is that all Shareholders are equally informed of all major developments and, as soon as practicable, the Company will disclose these publicly to all Shareholders.

CORPORATE GOVERNANCE REPORT

- 16.3 Shareholders are provided with an assessment of the Company's performance, position and prospects through annual reports (which are issued within the mandatory period and all Shareholders receive the annual report and the notice of general meetings), and half-yearly and full-year results announcements and other ad-hoc announcements via the SGXNET. The Company does not practice selective disclosure. The Company currently does not have a dedicated investor relations team.
- 16.4 No dividend is declared for FY2016 as the Company is not in an accumulated profit position. The form, frequency and amount of dividends will depend on the Group's current and projected performance, the Company's cash position and any other factors as the Board may deem fit.

17. Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

- 17.1 The Company believes in encouraging shareholder participation at general meetings and views such general meetings as the principal forum for dialogue with shareholders. Shareholders are encouraged to attend the Company's general meetings to stay informed of the Group's strategies and directions, to clarify issues and share their views.
- 17.2 At general meetings, resolutions are set out as single item resolution on each substantially separate issue. In the event that there are resolutions which are interdependent and linked, the Company will provide clear explanation together with any material implication.
- 17.3 The Chairmen of the AC, NC and RC are present at the AGM to answer Shareholders' questions relating to the work of these Board Committees. The Company's external auditor is also invited to attend the AGM and will assist Directors in addressing queries relating to the conduct of the audit and the preparation and content of the independent auditor's report.
- 17.4 The Company will prepare minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and responses from the Board, and will make these minutes available to Shareholders upon their request.
- 17.5 To promote greater transparency, the Company puts all resolutions to vote by poll at general meetings. An announcement of the detailed voting results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

(F) OTHER CORPORATE GOVERNANCE MATTERS

18. Dealings in the Company's Securities

- 18.1 In compliance with the Catalist Rules on Dealing in Securities, the Group has put in place an internal code on the restrictions or prohibitions on dealings in the Shares of the Company and the implications on insider trading.
- 18.2 The internal code prohibits Directors and Management and their connected persons from dealing in the Shares of the Company during the period commencing one month before the announcement of the Company's full-year and half-year results and ending on the date of announcement of the relevant results; and at any time while in possession of material unpublished price-sensitive information.
- 18.3 In addition, Directors and Management and their connected persons are reminded to observe insider trading laws at all times and they are also directed to refrain from dealing in the Shares of the Company on short-term considerations.
- 18.4 Directors are required to report securities dealings to the Company Secretary who will assist in making the necessary announcements.

CORPORATE GOVERNANCE REPORT

19. Risk Management

As the Company does not have a risk management committee, the Board and AC assume the responsibility of the risk management function. The Board and AC regularly review the Group's businesses and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management implements all significant policies and procedures and highlights all significant matters to the Board and the AC.

20. Interested Person Transactions

20.1 All interested person transactions are subject to review by the Board and the AC.

20.2 The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

20.3 The Company has not obtained a general mandate from Shareholders in respect of any interested person transactions. During FY2016, there were neither interested person transactions nor interested person transactions with aggregate value of which exceeded the stipulated thresholds as set out in Chapter 9 of the Catalist Rules.

21. Corporate Social Responsibility

21.1 The Board believes that effective corporate responsibility can deliver benefits to the Group's business and, in turn, to Shareholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term Shareholders' value.

21.2 Every employee of the Group is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Group is held to the same standard in its compliance with all applicable legal and regulatory requirements.

22. Material Contracts

Other than as disclosed in this Report and the financial statements, there were no material contracts of the Group, including loans, involving the interests of any Director or the controlling Shareholders either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the financial year ended 31 December 2015, being the immediate preceding financial year.

23. Non-Sponsor Fees

In compliance with Rule 1204(21) of the Catalist Rules, the sponsor fees paid/payable to the Company's continuing sponsor, Stamford Corporate Services Pte. Ltd. during FY2016 amounted to \$240,000. There is no non-sponsor fee during FY2016.

CORPORATE GOVERNANCE REPORT

24. Utilisation of proceeds from issuance of redeemable convertible bonds (“RCBs” or RCB Proceeds”)

As at the date of this Report, the Company has issued RCBs with an aggregate principal amount of \$8,000,000. The utilisation of RCB Proceeds is set out as follows:

Purpose	Amount	Percentage of RCB Proceeds
	\$'000	%
Set-off of loan against issuance of RCBs to the subscriber	1,699	21
Group's general working capital ^(a)	3,723	47
Arranger's fee on RCBs issued	400	5
Expenses incurred by the subscriber of RCBs	40	— ^(b)
Consideration for the acquisition of a subsidiary, GPE Power System (M) Sdn. Bhd.	1,838	23
Repayment of third party liabilities	300	4
Total	8,000	100

Notes:

- (a) Funds used for the Group's general working capital were for payments to suppliers, refundable deposit paid to a supplier for purchase of inventories, capital expenditure and operating expenses including staff salaries and professional fees.
- (b) Amount is less than 1%.

The utilisation of RCB Proceeds is consistent with the use of proceeds for the RCBs as disclosed in the Company's circular dated 11 December 2015 and approved by Shareholders on 29 December 2015.

DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited consolidated financial statements of Annica Holdings Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

In the opinion of the Directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 37 to 117 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 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended on that date in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; 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.

Directors

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

Mr. Ong Su Aun Jeffrey	- Acting Independent and Non-Executive Chairman
Ms. Sandra Liz Hon Ai Ling	- Executive Director and Chief Executive Officer <i>(Appointed on 6 January 2016)</i>
Mr. Nicholas Jeyaraj s/o Narayanan	- Non-Independent and Non-Executive Director
Mr. Su Jun Ming	- Lead Independent and Non-Executive Director <i>(Appointed on 20 January 2016)</i>
Mr. Adnan Bin Mansor	- Independent and Non-Executive Director <i>(Appointed on 20 January 2016)</i>

Arrangements to enable Directors to acquire benefits

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 objects 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' interests in shares or debentures

No Directors of the Company, 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 Act, an interest in shares, share options and debentures of the Company and related corporations, either at the beginning of the financial year, or at the end of the financial year, or at 21 January 2017, being the 21st day after the end of the financial year.

Share options

On 2 September 2016, shareholders of the Company approved the adoption of the Annica Performance Share Plan and the Annica Employee Share Option Scheme (collectively, the "Schemes"). The aggregate number of the shares of the Company that may be issued under the Schemes shall not exceed 15% of the total number of ordinary shares of the Company from time to time. During the financial year, no share option was granted under the Schemes to take up unissued ordinary shares of the Company.

As disclosed in the consolidated financial statements and this statement, no option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

DIRECTORS' STATEMENT

Share options (cont'd)

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act. The functions performed are detailed in the Corporate Governance Report, as set out in the Annual Report of the Company.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Directors

Sandra Liz Hon Ai Ling
Director

Su Jun Ming
Director

11 April 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements

Qualified Opinion on Consolidated Financial Statements of the Group

We have audited the accompanying consolidated financial statements of Annica Holdings Limited and its subsidiaries (the "Group") as set out on pages 37 to 117, which comprise the consolidated statement of financial position of the Group as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion on the Consolidated Financial Statements of the Group section of our report, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Opinion on Financial Statements of the Company

We have audited the accompanying financial statements of Annica Holdings Limited (the "Company") as set out on pages 37 to 117, which comprise the statement of financial position of the Company as at 31 December 2016, and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and FRSs so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the changes in equity of the Company for the financial year ended on that date.

Basis for Qualified Opinion on the Consolidated Financial Statements of the Group

Loss from discontinued operations of Industrial Power Technology Pte Ltd ("IPT") and The Think Environmental Co. Sdn. Bhd. ("TTEC")

As disclosed in Note 27 to the financial statements, the Company disposed IPT and TTEC ("Disposal Group") during the financial year, and reported loss from discontinued operations of \$4,127,000 included in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2016. This loss of \$4,127,000 has been determined based on the management accounts of the Disposed Group at the date of disposal.

As the management of the Group does not have access to the financial records of the Disposal Group, we are unable to form an opinion as to whether the management accounts of the Disposal Group are in form and content appropriate and proper for determination of the loss from discontinued operations as reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group.

Our audit report dated 12 April 2016 on the consolidated financial statements of the Group for the financial year ended 31 December 2015 contained a qualified opinion on the 2015 consolidated financial statements arising from certain matters related to IPT. The extract of the basis for qualified audit opinion is disclosed in Note 39 to the financial statements.

In view of the matters described in the basis for qualified opinion paragraphs on the financial statements for the financial year ended 31 December 2015, we are unable to determine whether the opening balances of the Group as at 1 January 2016 are fairly stated. The opening balances as at 1 January 2016 entered into the determination of the loss from discontinued operations as reported in the consolidated financial performance and consolidated cash flows of the Group for the financial year ended 31 December 2016.

We are unable to determine whether any adjustments might be necessary in respect of the loss from discontinued operations. Any adjustments to the loss from discontinued operations would affect the loss for the financial year and total comprehensive loss as reported in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year ended 31 December 2016.

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements (cont'd)

Basis for Qualified Opinion on the Consolidated Financial Statements of the Group (cont'd)

Our opinion on the current year's financial statements of the Group is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2016 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. As described in the Basis for Qualified Opinion on the Consolidated Financial Statements of the Group, we are unable to obtain sufficient appropriate evidence with respect to the loss from discontinued operations of Disposal Group for the financial year ended 31 December 2016. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Material Uncertainty Related to Going concern

We draw attention to Note 3.1 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2016, the Group reported a net loss of \$8,218,000 (2015: \$8,440,000) and has net operating cash outflows of \$3,369,000 (2015: \$8,721,000), and the Company reported a net loss of \$4,371,000 (2015: \$7,670,000).

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in Note 3.1 to the financial statements, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not qualified in respect of this matter.

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion on the Consolidated Financial Statements of the Group section and Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Description of key audit matter

Goodwill relating to acquisition of GPE Power Systems (M) Sdn. Bhd. ("GPE")

As disclosed in Note 11 and Note 15 to the financial statements, on 1 March 2016, the Company completed its acquisition of 70% shareholding interest in GPE at a consideration of \$1,837,500. The newly acquired subsidiary is classified in the energy services segment (a new business segment in 2016). The Group recorded goodwill amounted to \$1,020,000 by applying the acquisition method in accordance with FRS 103 Business Combinations.

Impairment assessment of goodwill is considered a key audit matter due to the judgement and estimations involved in the determination of the value-in-use of GPE. The judgement and estimations involved relates to the future performance of GPE and the discount rate applied to future cash flow forecasts.

Our audit procedures to address the key audit matter

- We evaluated management's value-in-use model and the key assumptions and inputs to the value-in-use model including forecast revenue, forecast gross profit margin, forecast expenditures, discount rate and terminal growth rate.
- We evaluated the management's methodologies and challenged their key assumptions and inputs by comparing the forecasts to recent performance and industry benchmarks.
- We checked the mathematical accuracy of the value-in-use model and agreed cash flows to the most recent approved financial budgets from the Board of Directors.
- We evaluated management's sensitivity analysis to assess the impact on the recoverable amount of GPE by reasonable possible changes to the estimated gross profit margin, growth rate and discount rate.
- We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Emphasis of Matter

Matters with Commercial Affairs Department

We draw your attention to Note 37 to the financial statements which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("CAD") investigations.

On 7 February 2017, the CAD confirmed to us that its investigations are on-going. As of the date of this report, the Directors confirmed that the CAD has not provided the Company with any further details or updates of its investigations.

In view of the above, there exists an uncertainty, whether the on-going investigations, the outcome of which is unknown, may have an impact on the Group's on-going business operations. Our opinion is not qualified in respect of this matter.

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 FRSs, 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements (cont'd)

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited

For the financial year ended 31 December 2016

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 Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

11 April 2017

STATEMENTS OF FINANCIAL POSITION

At 31 December 2016

		Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Current assets					
Cash and bank balances	4	2,144	2,976	358	86
Fixed deposits	5	280	242	–	–
Trade and other receivables	6	8,045	13,703	2,409	1,378
Inventories	8	401	1,147	–	–
Financial assets, at fair value through profit or loss	9	37	147	37	147
		10,907	18,215	2,804	1,611
Non-current asset classified as held-for-sale	10	2,274	–	2,274	–
		13,181	18,215	5,078	1,611
Non-current assets					
Trade and other receivables	6	66	82	1,134	–
Investments in subsidiaries	11	–	–	4,470	3,403
Investments in associates	12	–	–	–	–
Available-for-sale financial assets	13	2	9	–	–
Property, plant and equipment	14	1,211	3,011	64	2,459
Intangible assets	15	1,020	16	–	–
Deferred income tax assets	18	4	–	–	–
		2,303	3,118	5,668	5,862
Total assets		15,484	21,333	10,746	7,473
LIABILITIES					
Current liabilities					
Trade and other payables	16	5,863	12,016	2,465	1,611
Borrowings	17	520	951	514	470
Current income tax liabilities		163	39	–	–
		6,546	13,006	2,979	2,081
Non-current liabilities					
Borrowings	17	3,364	7,532	3,282	4,936
Deferred income tax liabilities	18	80	23	–	–
		3,444	7,555	3,282	4,936
Total liabilities		9,990	20,561	6,261	7,017
Net assets		5,494	772	4,485	456
EQUITY					
Share capital	19	62,924	54,524	62,924	54,524
Accumulated losses		(55,781)	(47,840)	(58,439)	(54,068)
Other reserves	20	(1,963)	(1,832)	–	–
Equity attributable to equity holders of the Company		5,180	4,852	4,485	456
Non-controlling interests		314	(4,080)	–	–
Total equity		5,494	772	4,485	456

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

		(Restated)
	2016	2015
	\$'000	\$'000
	Note	
Continuing operations		
Revenue	21	12,712
Cost of sales		(9,328)
		<hr/>
Gross profit		3,384
Other income	22	342
Selling and distribution expenses		(484)
Administrative and general expenses		(3,905)
Other expenses	23	(176)
Finance costs	24	(124)
		<hr/>
Loss before income tax from continuing operations	25	(963)
Income tax expense	26	(64)
		<hr/>
Loss from continuing operations, net of tax		(1,027)
Discontinued operations		
Loss from discontinued operations, net of tax	27	(7,413)
		<hr/>
Loss for the financial year		(8,440)
Other comprehensive (loss)/income		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Currency translation differences arising from consolidation		(190)
Reclassification of currency translation differences from equity on disposal of subsidiaries to profit or loss		–
		<hr/>
Other comprehensive loss for the financial year, net of tax		(190)
		<hr/>
Total comprehensive loss for the financial year		(8,630)
Total loss attributable to:		
Equity holders of the Company		(5,253)
Non-controlling interests		(3,187)
		<hr/>
		(8,440)
Loss attributable to:		
<i>Equity holders of the Company</i>		
Loss from continuing operations, net of tax		(998)
Loss from discontinued operations, net of tax		(4,255)
		<hr/>
Loss for the financial year attributable to equity holders of the Company		(5,253)
<i>Non-controlling interests</i>		
Profit/(loss) from continuing operations, net of tax		(29)
Loss from discontinued operations, net of tax		(3,158)
		<hr/>
Loss for the financial year attributable to non-controlling interests		(3,187)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

		(Restated)
	2016	2015
	\$'000	\$'000
Total comprehensive loss attributable to:		
Equity holders of the Company	(7,955)	(5,443)
Non-controlling interests	(296)	(3,187)
	(8,251)	(8,630)
Total comprehensive loss attributable to:		
<i>Equity holders of the Company</i>		
Total comprehensive loss from continuing operations, net of tax	(4,076)	(1,188)
Total comprehensive loss from discontinued operations, net of tax	(3,879)	(4,255)
Total comprehensive loss for the financial year attributable to equity holders of the Company	(7,955)	(5,443)
<i>Non-controlling interests</i>		
Total comprehensive income/(loss) from continuing operations, net of tax	15	(29)
Total comprehensive loss from discontinued operations, net of tax	(311)	(3,158)
Total comprehensive loss for the financial year attributable to non-controlling interests	(296)	(3,187)
Loss per share for loss attributable to equity holders of the Company (cents per share)		
<i>Basic and diluted</i>		
From continuing and discontinued operations	28 (0.11)	(0.40)
From continuing operations	28 (0.06)	(0.08)
From discontinued operations	27 (0.05)	(0.32)

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Equity attributable to equity holders of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Group						
Balance at 1 January 2015	54,224	(42,587)	(1,642)	9,995	(893)	9,102
Issuance of ordinary shares of the Company (Note 19)	300	–	–	300	–	300
Loss for the financial year	–	(5,253)	–	(5,253)	(3,187)	(8,440)
Other comprehensive loss for the financial year	–	–	(190)	(190)	–	(190)
Total comprehensive loss for the financial year	–	(5,253)	(190)	(5,443)	(3,187)	(8,630)
Balance at 31 December 2015	54,524	(47,840)	(1,832)	4,852	(4,080)	772
Issuance of ordinary shares of the Company (Note 19)	8,400	–	–	8,400	–	8,400
Loss for the financial year	–	(7,941)	–	(7,941)	(277)	(8,218)
Other comprehensive loss for the financial year	–	–	(14)	(14)	(19)	(33)
Total comprehensive loss for the financial year	–	(7,941)	(14)	(7,955)	(296)	(8,251)
Changes in ownership interests in subsidiaries						
Acquisition of a subsidiary (Note 11(d))	–	–	–	–	282	282
Acquisition of non-controlling interest in a subsidiary (Note 11(e))	–	–	(117)	(117)	(543)	(660)
Disposal of ownership interest in subsidiaries (Note 29)	–	–	–	–	4,951	4,951
Total transactions with equity holders of the Company	–	–	(117)	(117)	4,690	4,573
Balance at 31 December 2016	62,924	(55,781)	(1,963)	5,180	314	5,494

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital \$'000	Accumulated losses \$'000	Total equity \$'000
Company			
Balance at 1 January 2015	54,224	(46,398)	7,826
Issuance of shares (Note 19)	300	–	300
Loss and total comprehensive loss for the financial year	–	(7,670)	(7,670)
Balance at 31 December 2015	54,524	(54,068)	456
Issuance of shares (Note 19)	8,400	–	8,400
Loss and total comprehensive loss for the financial year	–	(4,371)	(4,371)
Balance at 31 December 2016	62,924	(58,439)	4,485

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

		(Restated)
	2016	2015
	\$'000	\$'000
Note		
Cash flows from operating activities		
Loss before income tax from continuing operations	(4,056)	(963)
Loss before income tax from discontinued operations	27 (4,127)	(7,413)
	(8,183)	(8,376)
Adjustments for:		
Amortisation of intangible assets	2	8
Depreciation of property, plant and equipment	262	303
Fair value adjustment on redeemable convertible bonds	23 24	–
Fair value loss on financial assets, at fair value through profit or loss	110	79
Fees related to issuance of redeemable convertible bonds settled by way of issuance of ordinary shares of the Company	19 300	300
Gain on discounting of long-term trade receivables	(4)	(8)
Impairment loss on available-for-sale financial assets	7	16
Impairment loss on investment in an associate	–	44
Impairment loss on property, plant and equipment	–	61
Interest expense	428	218
Interest income	(4)	(2)
Loss on disposal of available-for-sale financial assets	–	16
Loss on disposal of financial assets, at fair value through profit or loss	–	1
Loss on disposal of property, plant and equipment	–	3
Loss on disposal of the Disposal Group	27 3,408	–
Operating cash flow before working capital changes	(3,650)	(7,337)
Changes in working capital:		
Inventories	1,097	(318)
Trade and other payables	4,956	2,039
Trade and other receivables	(5,778)	(3,060)
Currency translation difference	73	–
Cash used in operations	(3,302)	(8,676)
Income tax paid	(67)	(45)
Net cash used in operating activities	(3,369)	(8,721)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

		(Restated)
	2016	2015
	\$'000	\$'000
Cash flows from investing activities		
Interest received	4	2
Net cash inflow from disposal of subsidiaries	29	–
Net cash outflow from acquisition of a subsidiary	11(d)(ii) (1,799)	–
Part settlement of promissory note on acquisition of non-controlling interest in a subsidiary (Note A)	(60)	–
Proceeds from disposal of available-for-sale financial assets	–	598
Proceeds from disposal of property, plant and equipment	–	1
Purchases of property, plant and equipment	(897)	(12)
Net cash (used in)/generated from investing activities	(2,412)	589
Cash flows from financing activities		
Advance from related parties	–	30
Interest paid	(8)	(61)
Loan from a third party	350	1,600
Loans from the holding company of a corporate shareholder of a former subsidiary	–	5,934
Net proceeds from issuance of redeemable convertible bonds	5,085	301
(Placement)/release of fixed deposit pledged as security for banking facilities, net	(38)	49
Release/(placement) of deposit in cash margin account	426	(659)
Repayment of borrowings	(13)	(188)
Net cash generated from financing activities	5,802	7,006
Net increase/(decrease) in cash and cash equivalents	21	(1,126)
Cash and cash equivalents at beginning of the financial year	1,884	3,100
Effects of foreign currency translation on cash and cash equivalents	6	(90)
Cash and cash equivalents at end of the financial year	4 1,911	1,884

Major non-cash transactions:

During the financial year, the Group acquired the remaining non-controlling interest in a subsidiary at a consideration of \$660,000, out of which \$500,000 was settled by way of issuance of 500,000,000 new ordinary shares in the Company and \$160,000 through promissory notes issued by the Company. The Company paid \$60,000 of the promissory notes during the financial year (Note A above) and \$100,000 subsequent to the financial year end.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

1. General corporate information

The Company is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is at 1 Raffles Place, #18-61 Tower 2, Singapore 048616.

The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, are presented in Singapore dollar ("SGD") (rounded to the nearest thousand (SGD'000 or \$'000) except when otherwise stated), and have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and current bank borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company except as disclosed below:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management is currently assessing the impact of applying the new standard on the Group's financial statements. The Group plans to adopt the standard when it becomes effective in the financial year ending 31 December 2018.

FRS 109 Financial Instruments

FRS 109 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

(a) Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under FRS 109.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group has not undertaken a detailed assessment of the impact of the impairment provisions under FRS 109 but the Group expects that the new expected loss model may result in an earlier recognition of credit losses.

The Group plans to adopt the standard when it becomes effective in the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

FRS 116 Leases

FRS 116 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of FRS 116 and plans to adopt the standard on the required effective date.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (full IFRS convergence) in 2018. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary company. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any 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 fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.9. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount 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 attributable to equity holders of the Company.

When a change in the Company's ownership interest in a subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated losses if required by a specific FRS.

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amounts of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

2.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

2.4 Associates

An associate is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

The Group accounts for its investment in associates 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 2016

2. Summary of significant accounting policies (cont'd)

2.4 Associates (cont'd)

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

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

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

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

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

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss. On disposal of investment in associates, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. 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.

The assets are not depreciated or amortised while they are classified as held for sale.

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

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive profit or loss and other income is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment

Property, plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to write off the cost of all property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold properties	28 to 50 years
Fixtures and fittings	5 to 10 years
Plant and equipment	1 to 10 years
Motor vehicles	4 to 10 years
Generator sets for rental	10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2.7 Financial assets

Classification

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale.

(i) Financial assets, at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.7 Financial assets (cont'd)

Classification (cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments, Goods and Services Tax ("GST") receivables, advance payment to supplier and equipment earmarked for construction contracts), "cash and bank balances" and "fixed deposits" on the statements of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss, are subsequently carried at fair value. Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measurable, are measured at cost less impairment loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial year in which the changes in fair values arise.

Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in fair value reserve/other comprehensive income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in fair value reserve/other comprehensive income, together with the related currency translation differences.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.7 Financial assets (cont'd)

Impairment

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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

(ii) Available-for-sale financial assets

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

Impairment losses on debt instruments classified as available-for-sale financial assets are reversed through profit or loss when the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised. However, impairment losses recognised in profit or loss on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss.

For available-for-sale financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

Intangible assets (other than goodwill)
Property, plant and equipment
Investments in subsidiaries and associates

At the end of the reporting period, the Group reviews the carrying amounts of intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of subsidiaries and associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associate is described in Note 2.4.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

Customers' contracts

The customers' contracts were acquired in business combinations and it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset is recognised in proportion to the stage of completion of the individual customer's contract.

Website development costs

Website development costs are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at the end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using a first-in first-out basis for general stock and specific cost basis for unique stock. Net realisable value represents the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

2.11 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash in banks which are subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdraft that form an integral part of the Group's cash management and exclude restricted bank balances held in cash margin account. In the statements of financial position, bank overdraft is presented under current liabilities.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of reporting period, which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised in profit or loss.

2.13 Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.13 Provisions for liabilities (cont'd)

Provisions are reviewed at end of the each reporting period and adjusted to reflect the current best estimates. If it is no longer likely than not that an outflow of resources will be required to settle the obligation, the provisions will be reversed.

2.14 Borrowings

Loans

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Redeemable convertible bonds

The Group's redeemable convertible bond is a hybrid instrument that combines feature of derivative liability component and non-convertible bond component.

The derivative liability component (conversion option) is recognised at its fair value, determined by applying the binomial valuation model. When the conversion option is exercised, its carrying amount is transferred to share capital.

The difference between the total proceeds and the derivative liability component is allocated to the non-convertible bond component and is classified as a financial liability. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

2.15 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is presented, net of rebates and discounts, sales related taxes and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement, amounts collected on behalf of the principal are excluded from revenue.

The Group recognises revenue when the amount of revenue and related costs can be reliably measured, it is probable that collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue from sale of goods is recognised when the Group entity has delivered the products to locations specified by its customers and the customers have accepted the products and the collectability of the related receivable is reasonably assured.

Rendering of services

Revenue from the provision of management services rendered by the Group and installation services are recognised upon the performance of the services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.15 Revenue recognition (cont'd)

Equipment rental income

Equipment rental income is recognised on a straight-line basis over the lease term.

Interest income

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

Commission income

Commission income is recognised as revenue when service is rendered.

Construction revenue

Please refer to the paragraph "Construction contracts" for the accounting policy for revenue from construction contracts.

2.16 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period ("percentage-of completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. The stage of completion of the contract is measured by reference to the surveys of work performed.

Construction contracts are stated at the lower of cost plus attributable profit less anticipated losses and progress billings, and net realisable value. Cost comprises material costs, direct labour, borrowing costs and relevant overheads.

Provision for total anticipated losses on construction contracts is recognised in the financial statements when the loss is foreseeable. Provision for liquidated damages for late completion of projects is made where there is a contractual obligation and written notice is received from customers, and where in management's opinion an extension of time is unlikely to be granted.

At the end of the reporting period, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.17 Government grants

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

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.18 Employee compensation

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlements

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

2.19 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

2.20 Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.20 Income taxes (cont'd)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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 currently enacted or substantively enacted tax rates at the end of the reporting period.

2.21 Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance leases is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

As lessee

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.15. Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Foreign currency translation and transactions

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.22 Foreign currency translation and transactions (cont'd)

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Translation of Group entities' financial statements

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

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the foreign currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

2.23 Related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The transactions are entered on terms agreed by the parties concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.24 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 statement of financial position 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.

2.25 Financial guarantees

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. Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

2.26 Share capital

Proceeds from issuance of ordinary shares of the Company are recognised as share capital in equity.

Incremental costs directly attributable to the issuance of ordinary shares of the Company are deducted against share capital.

2.27 Dividends

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

2.28 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the 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 the financial year. 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 Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Going concern

During the financial year ended 31 December 2016, the Group reported a net loss of \$8,218,000 (2015: \$8,440,000) and has net operating cash outflows of \$3,369,000 (2015: \$8,721,000), and the Company reported a net loss of \$4,371,000 (2015: \$7,670,000). These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis as:

- (1) The review of the cash flow forecasts of the Group and of the Company for the financial year ending 31 December 2017 showed that the Group and the Company have adequate resources and will be able to generate sufficient cash flows in the next 12 months to meet their financial obligations as and when they fall due taking into consideration:
 - (a) proceeds of 3,000,000 from the sale of the Company's leasehold property which is expected to be received within the next 12 months, out of which \$150,000 being deposit equivalent to 5% of the proceeds, has been received subsequent to the financial year and as at the date of this report (Note 10);
 - (b) additional funds to be raised from the issuance of the 2% redeemable convertible bonds ("RCBs") (Note 17). Subsequent to the financial year and as at the date of this report, the Company has issued RCBs with an aggregate principal of \$500,000 (Note 38). The Company is working with the subscribers of the RCBs to raise further proceeds from the issuance of the RCBs in the next 12 months; and
 - (c) proceeds from the allotment and issuance of ordinary shares of the Company to a third-party investor pursuant to an option agreement (Note 17) ("Option Shares"). The Company targets to raise proceeds from the allotment and issuance of the Option Shares to the investor in the next 12 months.
- (2) the Directors are actively evaluating various strategies, including fund raising, acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets to improve the existing business and earnings base of the Group.

After considering the measures taken described above, the Directors believe that the Group and the Company have adequate resources to continue its operations as going concerns. The consolidated financial statements of the Group and the financial statements of the Company are prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.1 Critical judgement made in applying accounting policies (cont'd)

Going concern (cont'd)

The financial statements did not include any adjustments that may result in the event that the Group and the Company is unable to continue as going concerns. In the event that the Group and the Company is unable to continue as going concerns, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

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 financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment in subsidiaries

The Group reviews the investment in subsidiaries at the end of the financial year to determine whether there is any indication of impairment. An impairment exists when the carrying value of an asset or cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The carrying amounts of investment in subsidiaries at the end of the financial year are disclosed in Note 11.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment and intangible assets are given in Note 14 and Note 15, respectively, to the financial statements.

Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in profit or loss. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

Trade and other receivables that are impaired amounting to \$12,557,000 (2015: \$7,307,000) had been provided for. The carrying amount of trade and other receivables as at 31 December 2016 is disclosed in Note 6.

Impairment of inventories

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventories write-offs could be higher or lower than the allowance made. The write down of inventories during the financial year and the carrying amount of inventories as at 31 December 2016 are disclosed in Note 8.

Income taxes and deferred tax liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's tax payable, deferred income tax liabilities and deferred income tax assets at 31 December 2016 was \$163,000 (2015: \$39,000), \$80,000 (2015: \$23,000) and \$4,000 (2015: Nil) respectively.

Information on unabsorbed tax losses and other temporary differences for which deferred tax assets/liabilities had not been recognised are stated in Note 26 and Note 18 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. Cash and bank balances

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and on hand	1,911	2,317	358	86
Deposit placed in cash margin account	233	659	–	–
	2,144	2,976	358	86

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2016 \$'000	2015 \$'000
Cash and bank balances (as above)	2,144	2,976
Less: Deposit placed in cash margin account	(233)	(659)
Less: Bank overdraft (Note 17)	–	(433)
Cash and cash equivalents in consolidated statement of cash flows	1,911	1,884

5. Fixed deposits

The fixed deposits are pledged to banks as securities for banking facilities such as importing line comprising letter of credit, trust receipts and banker's guarantee. The banking facilities are also secured by personal guarantee of a third party.

The fixed deposits have maturity periods ranging from 1 to 12 months (2015: 1 to 3 months) from the end of the financial period with interest rates ranging from 0.7% to 3.4% (2015: 0.14% to 3.15%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Trade and other receivables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current</i>				
Trade receivables:				
Non-related parties	7,809	10,008	–	–
Less: Allowance for impairment	(1,108)	(1,954)	–	–
	6,701	8,054	–	–
Other receivables:				
Subsidiaries				
- Management fee receivables	–	–	129	96
Non-related parties	68	3,330	9	–
Less: Allowance for impairment	–	(574)	–	–
	68	2,756	138	96
Loan to a third party	274	279	–	–
Less: Allowance for impairment	(274)	(242)	–	–
	–	37	–	–
Loan to a former corporate shareholder of a subsidiary	24	24	–	–
GST receivable	10	38	–	12
Other recoverable	150	2,764	150	–
Less: Allowance for impairment	–	(406)	–	–
	150	2,358	150	–
Other current assets (Note 7)	1,092	436	2,121	1,270
	8,045	13,703	2,409	1,378
<i>Non-current</i>				
Trade receivables from a non-related party	66	82	–	–
Other non-current assets (Note 7)	–	–	1,134	–
	66	82	1,134	–
	8,111	13,785	3,543	1,378

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables from subsidiaries

Other receivables from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

Loan to a third party

Loan to a third party by a subsidiary is unsecured, interest-free and repayable on demand.

Loan to a former corporate shareholder of a subsidiary

Loan to a former corporate shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

Other recoverable

As at 31 December 2015, other recoverable relates to equipment earmarked for construction contracts, which comprised:

- an advance for equipment of \$1,929,000 related to cost of equipment by Industrial Power Technology Pte Ltd ("IPT"), which was a subsidiary during the financial year ended 31 December 2015, for a construction project that has stalled unexpectedly; and
- an amount of \$835,000, of which an allowance for impairment amounting to \$406,000 and write-off amounting to \$660,000 were made after the management undertook a review of the aged equipment, construction contracts alongside project delays, the suitability of the equipment for the Group's future projects and the prevailing business developments and market conditions.

Non-current trade receivables from a non-related party

The amount is unsecured and payable in accordance with a repayment schedule.

The fair value of non-current trade receivables amounting to \$66,000 (2015: \$82,000) is computed based on cash flows discounted at market borrowing rate of 5.5% (2015: 5.5%) per annum. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Other current assets

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current</i>				
Advances to subsidiaries	–	–	419	910
Less: Allowance for impairment	–	–	(5)	(5)
	–	–	414	905
Loan to a subsidiary	–	–	991	–
Advances to former subsidiaries/subsidiaries	11,175	–	11,175	10,718
Less: Allowance for impairment	(11,175)	–	(11,175)	(10,715)
	–	–	–	3
Trade advance to an associate	–	4,009	–	–
Less: Allowance for impairment	–	(4,009)	–	–
	–	–	–	–
Advance to an individual shareholder of an associate	–	122	–	–
Less: Allowance for impairment	–	(122)	–	–
	–	–	–	–
Other receivables and deposits	517	125	157	78
Prepayments	575	311	559	284
	1,092	436	2,121	1,270
<i>Non-current</i>				
Loan to a subsidiary	–	–	1,134	–
	1,092	436	3,255	1,270

Advances to subsidiaries/loan to a subsidiary

Advances to subsidiaries are unsecured, interest-free and payable on demand.

Loan to a subsidiary is unsecured, payable over 3 years and bears interest rate at 8% (2015: Nil) per annum.

The carrying amount of loan to a subsidiary approximates its fair value at the end of the respective financial year. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

Advances to former subsidiaries/subsidiaries

The advances to former subsidiaries namely, IPT and The Think Environmental Co. Sdn. Bhd. (“TTEC”), (which were disposed during the financial year (Notes 27 and 29)) are unsecured and payable on demand. As IPT is under liquidation after the Company has disposed its shareholding interests, no interest on the advances has been charged to IPT as the recovery is uncertain. The advance to TTEC is interest-free. As at 31 December 2016, the advances to the former subsidiaries have been fully impaired. As at 31 December 2015, included in the advance was an amount of \$6,518,000 due from IPT which bore interest rate at between 6% and 15% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Other current assets (cont'd)

Advance to an associate and an individual shareholder of an associate

Advance to an associate and an individual shareholder of an associate (an associate of IPT) as at 31 December 2015 were unsecured, payable on demand and interest-free. Full allowance for impairment has been made in respect of these advances.

Deposits

Included in deposits as at 31 December 2016 are:

- (i) an amount of \$13,000 (2015: \$78,000) held in trust by a third-party payment service agent of the Company;
- (ii) an amount of \$133,200 (2015: Nil) being part of the deposit held by a law firm as stakeholders on the proposed sale of the Company's leasehold property. The amount was refunded to the purchaser subsequent to the financial year (Note 10); and
- (iii) an amount of \$330,000 (2015: Nil) being refundable deposit placed with a supplier for the purchase of inventories.

8. Inventories

	Group	
	2016	2015
	\$'000	\$'000
Trading goods	392	988
Goods in transit	9	159
	401	1,147

The cost of inventories recognised as an expense and included in "cost of sales" amounted to \$16,366,000 (2015: \$9,328,000).

Inventories recognised as an expense in "other expenses" represents write down of inventories amounted to \$321,000 (2015: \$176,000).

9. Financial assets, at fair value through profit or loss

	Group and Company	
	2016	2015
	\$'000	\$'000
Held for trading:		
- Quoted equity securities listed on the SGX-ST	16	111
Designated as at fair value:		
- Unlisted securities Singapore redeemable participating shares	21	36
	37	147

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. Financial assets, at fair value through profit or loss (cont'd)

During the financial year, the Group recognised:

- (i) a net fair value loss on the quoted equity securities in profit or loss of \$95,000 (2015: \$77,000) against the trade prices as at 31 December 2016 (2015: 31 December 2015);
- (ii) a net fair value loss on the unquoted securities directly in profit or loss of \$15,000 (2015: \$2,000) against the best indication of fair value as at 31 December 2016 (2015: 31 December 2015) determined by a registered fund management company; and
- (iii) a net loss on disposal of financial assets, at fair value through profit or loss in profit or loss of Nil (2015: \$1,000).

10. Non-current asset classified as held-for-sale

During the financial year, the Company entered into an option agreement with a purchaser for the sale of the Company's two-storey leasehold property situated at 38 Kallang Place, Singapore 339166 for a consideration of \$3,330,000. As at 31 December 2016, an amount of \$167,000, being deposit equivalent to 5% of the consideration, was paid by the purchaser (Note 16). Subsequent to the financial year, the deposit was refunded to the purchaser as the Company and the purchaser have mutually agreed to terminate the option agreement on the grounds that JTC Corporation Ltd was unable to approve the sale after evaluating the purchaser's proposed business plan and financial projections.

On 26 January 2017, the Company announced that it has granted another purchaser, ATA Building Materials Pte Ltd ("ATA") an option to purchase the property via an option agreement for a consideration of \$3,000,000. On 8 February 2017, ATA exercised the option to purchase the property in accordance with the terms of the option agreement. The completion of the sale of the property, which is conditional upon fulfilment of certain conditions including the approval from JTC Corporation Ltd, is expected to be no later than July 2017 unless otherwise mutually agreed in writing by the Company and ATA.

As the property, which is reported under the investment and others segment, is expected to be disposed within 12 months from the end of the financial year, its carrying value of \$2,274,000 has been reclassified from "leasehold properties" under "property, plant and equipment" (non-current asset) and presented separately as "non-current asset classified as held-for-sale" (current asset) in the statements of financial position as at 31 December 2016.

The property was previously occupied by IPT for the latter's operational use. IPT has moved out of the property after the Company's disposal of its shareholding interest in it (Note 27). Since the Company does not need to conduct any operations at the property and hence it is a non-core asset, the Company intends to dispose of the property to provide liquidity and cash capital for the Group. The sale of the property is also in line with the Group's strategic turnaround plan to restructure its non-strategic assets.

The property is held as security for IPT's banking facilities as at both financial year ends. The property has not been discharged by the bank after the Company's disposal of IPT as IPT is under liquidation. As at 31 December 2016, the banking facilities of IPT due to the bank amounted to \$262,000 (2015: \$433,000) and has been included in "trade and other payables" (Note 16) (2015: presented as "borrowings" under current liabilities (Note 17)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Investments in subsidiaries

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	13,532	21,034
Less: Allowance for impairment	(9,062)	(17,631)
	4,470	3,403

The movements in the allowance for impairment are as follows:

	Company	
	2016 \$'000	2015 \$'000
At beginning of financial year	17,631	18,229
Addition during the financial year	1,431	103
Reversal of impairment	–	(701)
Write-off upon disposal of subsidiaries	(10,000)	–
At end of financial year	9,062	17,631

(a) Details of the subsidiaries as at the end of the financial year are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operations	Effective equity interest held by Group	
			2016 %	2015 %
Industrial Engineering Systems Pte. Ltd. ("IES") ⁽¹⁾	Designing of industrial plant engineering services systems and general wholesaler and trader	Singapore	100	78
P.J. Services Pte Ltd ⁽¹⁾	Trading in oilfield equipment and related products	Singapore	100	100
Nu-Haven Incorporated ⁽²⁾	Investment holding	British Virgin Islands	100	100
GPE Power Systems (M) Sdn. Bhd. ("GPE") ⁽³⁾	Trading, assembly and renting of power generators, pyrolysis and industrial plant and equipment and provision of related services	Malaysia	70	–
Industrial Power Technology Pte Ltd ⁽⁷⁾	Engineering, procurement and construction contractor for biomass power plant	Singapore	–	60

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries as at the end of the financial year are as follows: (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and operations	Effective equity interest held by Group	
			2016 %	2015 %
The Think Environmental Co. Sdn. Bhd. ⁽⁷⁾	Specialist engineering, procurement and construction contractor for biomass power plant	Malaysia	–	100
<u>Held by P.J. Services Pte Ltd:</u>				
Panah Jaya Services Sdn. Bhd. ⁽⁴⁾⁽⁶⁾	Trading of oilfield parts and equipment	Malaysia	100	100
PT. Panah Jaya Sejahtera ^{(5) (6)}	Trading in oilfield equipment and related products	Indonesia	100	100
<u>Held by Nu-Haven Incorporated:</u>				
Avital Enterprises Limited ⁽²⁾	Investment holding	British Virgin Islands	100	100

(1) Audited by Baker Tilly TFW LLP, Singapore

(2) Not required to be audited in the country of incorporation

(3) Audited by K.C. Chia & Noor, Malaysia

(4) Audited by Lee Chin Ann & Co, Malaysia

(5) Audited by Herman Doby Tanumihardja & Rekan, Indonesia

(6) To facilitate the operation of this business unit, the Group, through P.J. Services Pte Ltd, holds the shareholdings interests in the subsidiary through nominees, thus, maintaining its beneficial interests and therefore has absolute and de facto control over the subsidiary.

(7) The subsidiaries were disposed during the financial year (Notes 27 and 29).

In accordance with Rule 716 of the Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and the Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

(b) Interest in a subsidiary with material non-controlling interests ("NCI")

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	
		2016 %	2015 %
GPE	Malaysia	30	–
IPT	Singapore	–	40
IES	Singapore	–	22

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Investments in subsidiaries (cont'd)

- (c) Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for GPE (2015: IES and IPT) for the financial year ended 31 December 2016, which has non-controlling interests that are material to the Group. During the financial year, the Group's equity interest in IES increased from 78% to 100% and the Group disposed its shareholding interest in IPT and therefore there is no non-controlling interest as at 31 December 2016. The summarised financial information is presented before inter-company eliminations.

	GPE \$'000
2016	
<i>Summarised statement of financial position</i>	
Current	
Assets	5,366
Liabilities	(3,975)
Net current assets	<u>1,391</u>
Non-current	
Assets	855
Liabilities	(1,199)
Net non-current liabilities	<u>(344)</u>
Net assets	<u>1,047</u>
Accumulated NCI at the end of the financial year	<u>314</u>
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue	<u>11,945</u>
Profit before income tax	265
Income tax expense	(101)
Profit after tax and total comprehensive income	<u>164</u>
Profit allocated to NCI during the financial year	<u>49</u>
<i>Summarised statement of cash flows</i>	
Cash flows from operating activities	
Cash generated from operations	922
Income tax paid	(65)
Net cash generated from operating activities	857
Net cash used in investing activities	(880)
Net decrease in cash and cash equivalents	(23)
Cash and cash equivalents at date of acquisition	39
Effect of foreign currency translation on cash and cash equivalents	(2)
Cash and cash equivalents at end of financial year	<u>14</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Investments in subsidiaries (cont'd)

(c) Summarised financial information of subsidiaries with material non-controlling interests (cont'd)

	IPT \$'000	IES \$'000
2015		
<i>Summarised statement of financial position</i>		
Current		
Assets	11,138	3,627
Liabilities	(20,478)	(1,166)
Net current (liabilities)/assets	(9,340)	2,461
Non-current		
Assets	247	84
Liabilities	(2,506)	–
Net non-current liabilities/(assets)	(2,259)	84
Net (liabilities)/assets	(11,599)	2,545
Accumulated NCI at the end of the financial year	(4,640)	560
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	13,037	2,896
Loss before income tax	(7,896)	(132)
Income tax expense	–	–
Loss after tax and total comprehensive loss	(7,896)	(132)
Loss allocated to NCI during the financial year	(3,158)	(29)
<i>Summarised statement of cash flows</i>		
Cash flows from operating activities		
Cash (used in)/generated from operations	(2,941)	131
Interest expenses	(353)	–
Net cash (used in)/generated from operating activities	(3,294)	131
Net cash used in investing activities	(1)	(104)
Net cash generated from/(used in) financing activities	1,994	(608)
Net decrease in cash and cash equivalents	(1,301)	(581)
Cash and cash equivalents at beginning of financial year	891	818
Effect of foreign currency translation on cash and cash equivalents	(4)	19
Cash and cash equivalents at end of financial year	(414)	256

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Investments in subsidiaries (cont'd)

(d) Acquisition of a subsidiary

On 1 March 2016, the Company acquired 70% of the issued share capital of GPE at a cash consideration of \$1,837,500. The Group has acquired GPE in order to complement the Group's principal activities and strengthen its presence in energy services segment.

(i) Fair values of identifiable assets and liabilities of a subsidiary at acquisition date

	Group \$'000
Property, plant and equipment	83
Deferred income tax assets (Note 18)	4
Trade and other receivables	1,792
Inventories	349
Cash and cash equivalents	39
Trade and other payables	(1,167)
	<hr/>
Total identifiable net assets	1,100
Less: Non-controlling interest measured at the non-controlling interest's proportionate share of the subsidiary's net assets	(282)
	<hr/>
Net identifiable assets acquired	818
Goodwill (Note 15)	1,020
	<hr/>
Total consideration transferred	<u>1,838</u>

(ii) Effect on cash flows of the Group

	Group \$'000
Cash paid	1,838
Less: Cash and cash equivalents in subsidiary acquired	(39)
	<hr/>
Net cash outflow from acquisition of a subsidiary	<u>1,799</u>

(iii) Goodwill

The acquired subsidiary is involved in the trading, assembly and renting of power generators, pyrolysis and industrial plant and equipment and provision of related services. The goodwill of \$1,020,000 is attributable to significant synergies expected to arise to the Group after the acquisition.

(iv) Revenue and profit contribution

The acquired subsidiary contributed revenue of \$11,945,000 and net profit of \$164,000 to the Group for the period from 1 March 2016 to 31 December 2016. If the acquisition had occurred on 1 January 2016, the Group revenue would have been \$20,700,000 and total loss would have been \$8,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Investments in subsidiaries (cont'd)

- (e) Acquisition of non-controlling interests without a change in control

On 27 April 2016, the Company acquired an additional 22% equity interest in IES from its non-controlling interests at an aggregate consideration of \$660,000. The consideration was satisfied by:

- (i) \$500,000 by way of the allotment and issuance of 500,000,000 ordinary shares of the Company at the price of \$0.001 per share (Note 19); and
- (ii) \$160,000 through a promissory note, out of which \$60,000 is paid during the financial year and \$100,000 was paid subsequent to the financial year.

As a result of this acquisition, IES became a wholly-owned subsidiary held by the Group. The carrying value of the net assets of IES at 27 April 2016 was \$2,479,000 and the carrying value of the additional interest acquired was \$543,000. The difference of \$117,000 between the consideration and the carrying value of the additional interest acquired has been recognised in "capital reserve" as premium paid for acquisition of non-controlling interests.

The following summarises the effect of the change in the Group's equity interest in IES on the equity attributable to equity holders of the Company.

	Group \$'000
Consideration paid for acquisition of non-controlling interests	660
Carrying value of non-controlling interests acquired	(543)
	<hr/>
Decrease in equity attributable to equity holders of the Company	117
	<hr/>

- (f) Company Level - Impairment review of investment in subsidiaries

During the financial year, the management performed an impairment test for the Company's investments in subsidiaries. An impairment loss of \$1,431,000 (2015: \$103,000) was recognised to write down the investments in subsidiaries to the recoverable amount of \$2,632,000 (2015: \$1,992,000). During the financial year ended 31 December 2015, a reversal of impairment loss of \$701,000 was recognised in profit or loss for a subsidiary to its recoverable amount of \$1,410,000 as the subsidiary turned profitable during the financial year ended 31 December 2015.

The recoverable amounts of the CGUs were determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market. The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rate of 2% (2015: 5%). The pre-tax rate used to discount the forecast cash flows of the Group is 12% (2015: 10%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Investments in associates

	Group	
	2016 \$'000	2015 \$'000
At beginning and end of financial year	166	166
Less: Allowance for impairment	–	(161)
Share of losses	–	(5)
Due to disposal of Disposal Group	(166)	–
At end of financial year	–	–

The associates belonged to IPT (Note 29).

The movement in allowance for impairment of investments in associates is as follows:

	Group	
	2016 \$'000	2015 \$'000
At beginning of financial year	161	117
Due to disposal of Disposal Group	(161)	–
Impairment loss during the financial year	–	44
At end of financial year	–	161

Details of the associates are as follows:

Name of associate	Principal activities	Country of incorporation and operations	Effective equity interest held by Group	
			2016 %	2015 %
<u>Held by Industrial Power Technology Pte Ltd*:</u>				
Industrial Power (Thailand) Co., Ltd.	Engineering, procurement and construction projects	Thailand	–	49
Sing Power Services Pte. Ltd.	Have not commenced operations (in the process of being struck-off)	Singapore	–	49

* On 17 March 2016, the Company disposed its 60% shareholdings in IPT.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Investments in associates (cont'd)

Aggregate information about the Group's investments in associates that are not individually material and not adjusted for the proportion of ownership interest held by the Group for the financial year ended 31 December 2015, was as follows:

	Group
	2015
	\$'000
Total assets	3,467
Total liabilities	(8,558)
Revenue	637
Net loss after income tax	<u>(2,524)</u>

The Group had not recognised its share of losses of associates amounted to \$1,237,000 during the financial year ended 31 December 2015 because the Group's cumulative share of losses exceeded its interest in those associates and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to the associates amounted to \$2,554,000 as at 31 December 2015.

13. Available-for-sale financial assets

	Group	
	2016	2015
	\$'000	\$'000
Quoted equity securities listed on SGX-ST at fair value	2	9
Unquoted equity securities	4,800	4,800
Less: Allowance for impairment	(4,800)	(4,800)
	—	—
	2	9

Quoted equity securities

During the financial year, the Group recognised an impairment loss of \$7,000 (2015: \$16,000) on quoted equity securities as there is more than 50% (2015: 50%) decline in the fair value of these investments over their costs based on the trade prices as at 31 December 2016 (2015: 31 December 2015).

Determination of fair value of available-for-sale financial assets - quoted equity securities

The fair values of the quoted equity securities are determined based on quoted market prices at the end of the respective financial year. These instruments are included in Level 1 of the fair value hierarchy.

Unquoted equity securities

The unquoted equity securities are stated at cost and have been fully impaired since 31 December 2012. Details of the unlisted equity securities are as follows:

Name of unlisted equity security	Country of incorporation	Effective equity interest held by Group		Cost	
		2016	2015	2016	2015
		%	%	\$'000	\$'000
China Data System Investments Pte Ltd	Singapore	1	1	4,800	4,800

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14. Property, plant and equipment

	Leasehold properties \$'000	Fixtures and fittings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Generator sets for rental \$'000	Total \$'000
Group						
2016						
Cost						
At 1 January 2016	2,821	548	708	835	–	4,912
Additions	–	12	35	–	850	897
Disposals	–	–	–	(46)	–	(46)
Translation differences	(4)	(3)	(5)	–	(29)	(41)
Disposal of subsidiaries (Note 29)	–	(385)	(445)	(399)	–	(1,229)
Acquisition of subsidiary (Note 11(d))	–	12	71	–	–	83
Transfer to non-current asset classified as held-for-sale (Note 10)	(2,570)	–	–	–	–	(2,570)
Write off	–	(33)	(29)	–	–	(62)
At 31 December 2016	247	151	335	390	821	1,944
Accumulated depreciation						
At 1 January 2016	242	523	586	489	–	1,840
Charge for the financial year	74	11	50	70	57	262
Disposals	–	–	–	(46)	–	(46)
Translation differences	–	(1)	(1)	–	(2)	(4)
Disposal of subsidiaries (Note 29)	–	(393)	(385)	(183)	–	(961)
Transfer to non-current asset classified as held-for-sale (Note 10)	(296)	–	–	–	–	(296)
Write off	–	(33)	(29)	–	–	(62)
At 31 December 2016	20	107	221	330	55	733
Accumulated impairment						
At 1 January 2016	–	–	–	61	–	61
Disposal of subsidiaries (Note 29)	–	–	–	(61)	–	(61)
At 31 December 2016	–	–	–	–	–	–
Net carrying value						
At 31 December 2016	227	44	114	60	766	1,211

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Group	Leasehold properties \$'000	Fixtures and fittings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
2015					
Cost					
At 1 January 2015	2,859	556	718	847	4,980
Additions	–	–	12	–	12
Disposals	–	–	(3)	(11)	(14)
Translation differences	(38)	(8)	(19)	(1)	(66)
At 31 December 2015	2,821	548	708	835	4,912
Accumulated depreciation					
At 1 January 2015	147	506	528	387	1,568
Charge for the financial year	97	20	77	109	303
Disposals	–	–	(3)	(7)	(10)
Translation differences	(2)	(3)	(16)	–	(21)
At 31 December 2015	242	523	586	489	1,840
Accumulated impairment					
At 1 January 2015	–	–	–	–	–
Charge for the financial year	–	–	–	61	61
At 31 December 2015	–	–	–	61	61
Net carrying value					
At 31 December 2015	2,579	25	122	285	3,011

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

	Leasehold properties \$'000	Fixtures and fittings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Company					
2016					
Cost					
At 1 January 2016	2,570	33	29	388	3,020
Additions	–	–	4	–	4
Transfer to non-current asset classified as held-for-sale (Note 10)	(2,570)	–	–	–	(2,570)
Write off	–	(33)	(29)	–	(62)
At 31 December 2016	–	–	4	388	392
Accumulated depreciation					
At 1 January 2016	228	33	29	271	561
Charge for the financial year	68	–	1	56	125
Transfer to non-current asset classified as held-for-sale (Note 10)	(296)	–	–	–	(296)
Write off	–	(33)	(29)	–	(62)
At 31 December 2016	–	–	1	327	328
Net carrying value					
At 31 December 2016	–	–	3	61	64
2015					
Cost					
At 1 January 2015 and 31 December 2015	2,570	33	29	388	3,020
Accumulated depreciation					
At 1 January 2015	136	33	29	215	413
Charge for the financial year	92	–	–	56	148
At 31 December 2015	228	33	29	271	561
Net carrying value					
At 31 December 2015	2,342	–	–	117	2,459

Leasehold properties of the Group as at 31 December 2016 are two leasehold shop units at Kelana Centre Point, Malaysia at cost of \$289,000. The lease is for 99 years from 1995.

Subsequent to the financial year, the Company entered into an option agreement on the sale of the two-storey leasehold property at 38 Kallang Place, Singapore 339166. As the sale of the property is expected to be completed within twelve months from the end of the financial year, its carrying value of \$2,274,000 has been reclassified from "leasehold properties" under "property, plant and equipment" (non-current asset) to "non-current asset classified as held-for-sale" (current asset) as at 31 December 2016 (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

Leasehold properties of the Group and the Company with carrying amounts of \$227,000 (2015: \$2,579,000) and Nil (2015: \$2,342,000) respectively, are provided as security for the Group's borrowings (Note 17).

As at 31 December 2016, the carrying amount of motor vehicles purchased and secured under hire purchase contracts amounted to Nil (2015: \$165,000) (Note 17).

15. Intangible assets

	Customers' contracts \$'000	Website development costs \$'000	Goodwill arising on consolidation \$'000	Total \$'000
Group				
2016				
Cost				
At 1 January 2016	8,532	25	4,968	13,525
Additions	–	–	1,020	1,020
Disposal of subsidiaries (Note 29)	(8,532)	(25)	(4,968)	(13,525)
At 31 December 2016	–	–	1,020	1,020
Accumulated amortisation and impairment				
At 1 January 2016	8,532	9	4,968	13,509
Amortisation	–	2	–	2
Disposal of subsidiaries (Note 29)	(8,532)	(11)	(4,968)	(13,511)
At 31 December 2016	–	–	–	–
Net carrying amount				
At 31 December 2016	–	–	1,020	1,020
2015				
Cost				
At 1 January 2015 and 31 December 2015	8,532	25	4,968	13,525
Accumulated amortisation and impairment				
At 1 January 2015	8,532	1	4,968	13,501
Amortisation	–	8	–	8
At 31 December 2015	8,532	9	4,968	13,509
Net carrying amount				
At 31 December 2015	–	16	–	16

The amortisation of website development costs of \$2,000 (2015: \$8,000) is recognised in profit or loss under "loss from discontinued operations, net of tax".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. Intangible assets (cont'd)

Goodwill arising on consolidation

Key assumptions used in value-in-use calculation

The recoverable amount of GPE, which is presented in the energy services segment is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performances and expectations developments in the market.

The Group's value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rate of 2.6% for the energy services segment. This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows from the energy services segment is 17.8%.

Sensitivity to change in assumptions

With regards to the assessment of value-in-use for the energy services segment, management believes that the change in the estimated recoverable amount from any reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be materially lower than the carrying value of the CGU.

16. Trade and other payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Trade payables:</u>				
Non-related parties	3,487	9,592	–	–
Advance billing	–	456	–	–
Advance received on construction contracts	–	290	–	–
<u>Other payables:</u>				
Subsidiaries	–	–	898	978
Non-related parties	1,254	527	1,162	366
Deferred income	279	165	–	–
Director of a subsidiary	50	59	–	–
Former corporate shareholder/corporate shareholder of a subsidiary	20	16	–	–
Related party	–	50	–	–
Other accrual for operating expenses	773	861	405	267
	5,863	12,016	2,465	1,611

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Trade and other payables (cont'd)

The amounts due to subsidiaries are non-trade in nature, unsecured, repayable on demand and interest-free except for an amount of \$291,000 (2015: \$341,000), which bears interest ranging from 8.00% to 8.75% (2015: 8.00% to 8.75%) per annum.

The amounts due to director of a subsidiary, former corporate shareholder/corporate shareholder of a subsidiary and a related party are non-trade in nature, unsecured, interest-free and repayable on demand.

Included in the other payables - non-related parties are:

- (i) Accrued liability guarantee of \$262,000 (2015: Nil) to settle bank overdraft owing by IPT to a bank;
- (ii) Accrued final settlement of promissory note on acquisition of non-controlling interest in a subsidiary amounted to \$100,000 (Note 11(e)); and
- (iii) Deposits of \$167,000 (2015: Nil) being deposit on the proposed sale of the Company's leasehold property. The amount was refunded to the purchaser subsequent to the financial year (Note 10).

Included in other accrual for operating expenses is an amount of \$168,000 (2015: \$90,000) being outstanding Directors' fees for the financial years ended 31 December 2015 and 2016 (2015: 31 December 2014) approved by the Company's shareholders.

Gross amount due from/to on construction contracts as at 31 December 2015 were:

	Group	
	2016	2015
	\$'000	\$'000
<i>Construction contract work-in-progress:</i>		
Aggregate costs incurred and profit recognised (less losses recognised) to-date on uncompleted construction contracts	-	9,448
Less: Progress billings	-	(9,448)
Balance at the end of the financial year	-	-
Retention receivables on construction contracts	-	6,370
Advance received on construction contracts	-	290

There were no such construction contract work-in-progress as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Borrowings

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current</i>				
Term-loan	6	6	–	–
Finance lease liabilities	–	42	–	–
Bank overdraft	–	433	–	–
Derivative liability conversion component on redeemable convertible bonds	164	470	164	470
Advance from the subscriber of redeemable convertible bonds	350	–	350	–
	520	951	514	470
<i>Non-current</i>				
Term-loan	82	90	–	–
Finance lease liabilities	–	77	–	–
Loans from the holding company of a corporate shareholder of IPT	2,834	5,934	2,834	3,505
Redeemable convertible bonds	448	1,431	448	1,431
	3,364	7,532	3,282	4,936
Total	3,884	8,483	3,796	5,406

Term-loan

The term-loan bears interest of 5.1% (2015: 5.1%) per annum and is secured on the Group's fixed deposits, leasehold property in Malaysia and a personal guarantee of a director of a subsidiary.

Bank overdraft

Bank overdraft as at 31 December 2015 which belonged to IPT, was secured by the corporate guarantee of the Company and the legal mortgage of the Company's leasehold property at 38 Kallang Place, Singapore. The Group has no bank overdraft as at 31 December 2016.

Finance lease liabilities

The Group leases motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the respective lease term.

	Minimum lease payments		Present value of payments	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Group				
Amounts payable under finance lease:				
Less than one year	–	46	–	42
Between 2 to 5 years	–	79	–	77
	–	125	–	119
Less: Future finance charges	–	(6)	–	–
	–	119	–	119

The effective rates of interest for finance lease is Nil (2015: 3.57%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Borrowings (cont'd)

Loans from the holding company of a corporate shareholder of IPT

The loans are from Liongold Corp Ltd ("LionGold"), the holding company of a corporate shareholder of IPT. The Company has disposed its shareholding interest in IPT during the financial year. The loans arose during the financial year ended 31 December 2015 from a customer of IPT which had made claims totaling of \$5,200,000 from the Company and LionGold, as guarantors of performance securities in respect of the contract entered into between the customer and IPT together with its 49% owned associate, Industrial Power (Thailand) Co., Ltd, on grounds of project delays. Pursuant to the claims, LionGold provided the Company with a loan of \$3,505,000 to repay the Company's share of the claims and for IPT's working capital purposes.

During the financial year, LionGold announced that it will assign the benefits of \$3,505,000 under the loan to a third-party investor in three portions. As at 31 December 2016, Liongold has assigned \$1,000,000 (2015: Nil) to the investor and the remaining loan amount of \$2,505,000 (2015: \$3,505,000) is unsecured, interest bearing at 8% (2015: 8%) per annum and due and payable in 2018 (2015: 2018).

Redeemable convertible bonds ("RCBs")

	Group and Company	
	2016	2015
	\$'000	\$'000
Face value, net of transaction cost	954	1,901
Derivative liability conversion component on initial recognition	(234)	(470)
Liability component on initial recognition	720	1,431
Amortisation of interest expense	22	–
Conversion of RCBs into ordinary shares of the Company	(294)	–
Liability component at end of financial year	448	1,431
Derivative liability conversion component on initial recognition	234	470
Conversion of RCBs into ordinary shares of the Company	(94)	–
Loss on fair value of liability conversion component	24	–
Derivative liability conversion option at end of financial year	164	470

During the financial year:

- (i) The Company issued the fifth to fifteenth sub-tranche of the Tranche 1 RCBs, with an aggregate principal amount of \$5,500,000 (2015: \$2,000,000). As at 31 December 2016, the Company has issued RCBs representing a total of 15 (2015: 2) sub-tranche of the Tranche 1 RCBs with an aggregate sum of \$7,500,000 (2015: \$2,000,000);
- (ii) The Company allotted and issued a total of 188,235,294 (2015: 176,470,588) ordinary shares of the Company, for a total consideration of \$300,000 (2015: \$300,000), being the initial fee payment tranche relating to the issuance of the RCBs; and
- (iii) The subscribers of the RCBs exercised its rights to convert RCBs with an aggregate principal value of \$6,900,000 (2015: Nil) into a total of 8,551,470,586 (2015: Nil) ordinary shares of the Company. As at 31 December 2016, the principal value of RCBs that has been issued which are yet to be converted into the Company's shares amounted to \$600,000 (2015: \$2,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17. Borrowings (cont'd)

Redeemable convertible bonds ("RCBs") (cont'd)

The RCBs carry interest of 2% (2015: 2%) per annum are due for repayment by 2018 or are convertible into ordinary shares of the Company at the holder's option at the share conversion price valued at 85% of the average of the traded volume weighted average price per share of the Company for any 3 consecutive market days immediately preceding the relevant conversion date.

Please refer to the Company's circular dated 11 December 2015 and the Company's announcement dated 18 September 2016 for more details on the terms and conditions of the RCBs.

Derivative liability conversion component on the RCBs

The derivative liability conversion component relates to the conversion option of the RCBs that is recognised at its fair value, determined by applying the binomial valuation model.

Advance from the subscriber of RCBs

Advance from the subscriber of RCBs of \$350,000 (2015: Nil) is unsecured and interest-free. The advance is used to offset against the proceeds from the issuance of RCBs with an aggregate principal value of \$500,000 subsequent to the financial year (Note 38).

Determination of fair value of borrowings

The carrying amount of loans approximates its fair value at the end of the respective financial year.

Based on discounted cash flows using market lending rate for similar borrowings which the management expects would be available to the Group at the end of the respective financial year, the fair value of the non-current borrowings at the end of the respective financial year approximates its carrying value as there are no significant changes in the interest rate available to the Group at the end of the respective financial year. This fair value measurement for is categorised within Level 3 of the fair value hierarchy.

18. Deferred income tax (assets)/liabilities

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year	23	7
Transfer to profit or loss (Note 26)	49	17
Acquisition of a subsidiary (Note 11)	4	–
Translation difference	–	(1)
	<hr/>	<hr/>
At end of financial year	76	23
Representing:		
<i>Non-current</i>		
Deferred income tax assets	(4)	–
Deferred income tax liabilities	80	23
	<hr/>	<hr/>
At end of financial year	76	23
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18. Deferred income tax (assets)/liabilities (cont'd)

Deferred income tax liabilities provided for as at the end of the financial year are related to the following:

	Group	
	2016 \$'000	2015 \$'000
Accelerated tax depreciation	69	7
Other temporary differences	7	16
	76	23

Deferred income tax liabilities of \$13,000 (2015: \$7,000) have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company as the Group has determined that the undistributed earnings of its subsidiary will not be distributed in the foreseeable future. These unremitted earnings are permanently re-invested and amounted to \$169,000 (2015: \$120,000) at the end of the financial year.

19. Share capital

	Group and Company			
	2016		2015	
	Number of shares '000	Issued share capital \$'000	Number of shares '000	Issued share capital \$'000
<i>Issued and fully paid</i>				
At beginning of financial year	1,488,750	54,874	1,312,280	54,574
Issuance of ordinary shares of the Company	10,239,706	8,700	176,470	300
At end of financial year	11,728,456	63,574	1,488,750	54,874
Less:				
<i>Share issue expenses</i>				
At beginning of financial year	–	(350)	–	(350)
Conversion expenses (Note (i))	–	(300)	–	–
At end of financial year	–	(650)	–	(350)
Net	11,728,456	62,924	1,488,750	54,524

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Share capital (cont'd)

The Company has only one class of shares

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

Details of ordinary shares of the Company issued during the financial year are as follows:

	Group and Company			
	2016		2015	
	Number of shares '000	Issued share capital \$'000	Number of shares '000	Issued share capital \$'000
RCB Conversion Shares (Note (i))	8,551,471	6,900	–	–
RCB Consideration Shares (Note (ii))	188,235	300	176,470	300
Acquisition Consideration Shares (Note (iii))	500,000	500	–	–
Debt Conversion Shares (Note (iv))	1,000,000	1,000	–	–
	10,239,706	8,700	176,470	300

Note (i) - RCB Conversion Shares

During the financial year, the holder of the RCBs exercised its rights to convert RCBs with an aggregate principal value of \$6,900,000 (2015: Nil) into 8,551,470,586 (2015: Nil) ordinary shares of the Company ("RCB Conversion Shares") at the price of between \$0.0008 and \$0.00085 per RCB Conversion Share.

The share issue expenses of \$300,000 (2015: Nil) relate to conversion of the RCB.

Note (ii) - RCB Consideration Shares

During the financial year, the Company allotted and issued 188,235,294 (2015: 176,470,588) ordinary shares of the Company ("RCB Consideration Shares") at the price of between \$0.0015 and \$0.0017 per RCB Consideration Share to satisfy fees of \$300,000 (2015: \$300,000) in consideration of the agreement by the subscriber to subscribe for the RCBs.

Note (iii) - Acquisition Consideration Shares

During the financial year, the Company acquired non-controlling interests in a subsidiary for a consideration of \$660,000 (2015: Nil), out of which \$500,000 was satisfied by the issuance of 500,000,000 (2015: Nil) ordinary shares of the Company ("Acquisition Consideration Shares") at the price of \$0.001 per Acquisition Consideration Share (Note 11(e)).

Note (iv) - Debt Conversion Shares

During the financial year, the Company issued 1,000,000,000 (2015: Nil) ordinary shares of the Company ("Debt Conversion Shares") at the price of \$0.001 per Debt Conversion Share to an investor by converting a debt of \$1,000,000 (2015: Nil) owing to the investor (Note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Share capital (cont'd)

There are no ordinary shares of the Company that may be issued on conversion of any outstanding convertibles as at 31 December 2016 except as follows:

	Number of shares '000	Share capital \$'000
<i>RCB Conversion Shares (Note 17)</i>		
New RCB Conversion Shares to be allotted and issued upon conversion of RCBs issued as at the end of the financial year, assuming conversion at the minimum price of \$0.00085 per RCB Conversion Share	705,882	600
New RCB Conversion Shares to be allotted and issued upon conversion of RCBs which have yet to be issued as at the end of the financial year, assuming conversion at the minimum price of \$0.00085 per RCB Conversion Share	14,742,647	12,531
	<u>15,448,529</u>	<u>13,131</u>

Debt Conversion Shares

During the financial year, the Company entered into a debt conversion agreement with a third-party investor whereby the Company agreed to grant an option to the investor to convert the loan of \$3,505,000, upon assignment from LionGold to the investor (Note 17), into 3,504,878,770 Debt Conversion Shares. As at 31 December 2016, the investor exercised the debt conversion option after the loan of \$1,000,000 was being assigned by LionGold to the investor and accordingly, the Company allotted and issued 1,000,000,000 Debt Conversion Shares of the Company at the price of \$0.001 per Debt Conversion Share to the investor.

As at the end of the financial year, the Company has up to 2,504,879 (2015: Nil) Debt Conversion Shares at the minimum price of \$0.001 (2015: Nil) per Debt Conversion Share totalling \$2,505,000 (2015: Nil) to be allotted and issued to the investor upon conversion and assignment of the loan from LionGold to the investor.

Option Shares

During the financial year, the Company entered into an option agreement with the same investor of the above Debt Conversion Shares whereby the Company will issue to the investor an aggregate of 5,000,000,000 transferable share options with each option carrying the right to subscribe for one (1) new ordinary share of the Company ("Option Shares") at a minimum exercise price of \$0.001 per Option Share to raise an amount of up to \$5,000,000. None of these Option Shares has been issued as at the end of the financial year.

Please refer to the Company's circular dated 12 July 2016 for more details on the terms and conditions of the Debt Conversion Shares and Option Shares.

Annica Performance Share Plan and the Annica Employee Share Option Scheme (collectively, the "Schemes")

The aggregate number of ordinary shares of the Company that may be issued under the Schemes or any other share option or share scheme of the Company then in force shall not exceed 15% of the total number of issued ordinary shares of the Company from time to time. As at the end of the financial year, the Company has not granted or issued any shares under the Schemes.

Please refer to the Company's circular dated 18 August 2016 for more details on the Schemes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. Other reserves

	Group	
	2016 \$'000	2015 \$'000
Composition		
Capital reserve	(1,506)	(1,389)
Foreign currency translation reserve	(457)	(443)
	(1,963)	(1,832)
Movements		
<i>Capital reserve</i>		
At beginning of financial year	(1,389)	(1,389)
Acquisition of non-controlling interest in a subsidiary (Note 11(e))	(117)	–
At end of financial year	(1,506)	(1,389)
<i>Foreign currency translation reserve</i>		
At beginning of financial year	(443)	(253)
Net currency translation differences of financial statements of foreign subsidiaries	(14)	(190)
At end of financial year	(457)	(443)

Capital reserve as at 31 December 2016 represents an excess of the cost of the acquisition over the proportionate amount of the carrying amount of (i) the net assets of the acquired non-controlling 22% interest in IES amounted to \$117,000 during the financial year ended 31 December 2016 (Note 11(e)); and (ii) the net assets of the acquired non-controlling 40% interest in P.J. Services Pte Ltd amounted to \$1,389,000 during the financial year ended 31 December 2011.

Exchange differences relating to the translation of the financial statements of foreign subsidiaries from functional currencies into Singapore dollar are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve.

Other reserves are non-distributable.

21. Revenue

	Group (Restated)	
	2016 \$'000	2015 \$'000
Sales of goods	18,984	12,340
Service rendered	301	372
Equipment rental income	101	–
	19,386	12,712

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Other income

	Group (Restated)	
	2016	2015
	\$'000	\$'000
Interest income from bank and deposits	4	2
Gain on discounting of long term trade receivables	4	8
Government grants	41	46
Commission income	5	257
Miscellaneous	13	29
	67	342

23. Other expenses

	Group (Restated)	
	2016	2015
	\$'000	\$'000
Allowance for impairment of doubtful trade receivables (Note 32)	731	38
Fair value adjustment on redeemable convertible bonds (Note 17)	24	–
Fair value loss on financial assets, at fair value through profit or loss (Note 9)	110	79
Foreign currency exchange loss/(gain)	126	(115)
Impairment loss on available-for-sale financial assets (Note 13)	7	16
Impairment loss on advances to former subsidiaries (Note 32)	333	–
Loss on disposal of available-for-sale financial assets	–	16
Allowance for/(write-back of allowance for) impairment of doubtful loan to a third party (Note 32)	32	(35)
Write back of allowance for doubtful trade receivables (Note 32)	(57)	–
Write down of inventories (Note 8)	321	176
Others	–	1
	1,627	176

24. Finance costs

	Group (Restated)	
	2016	2015
	\$'000	\$'000
Interest on finance lease liabilities	–	2
Interest on loans	334	122
Interest expense on redeemable convertible bonds	91	–
	425	124

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25. Loss before income tax from continuing operations

Loss before income tax is determined after charging the following:

	Group (Restated)	
	2016 \$'000	2015 \$'000
Depreciation expense on property, plant and equipment	238	204
Directors' fees		
- Company	112	90
- Subsidiaries	32	–
Fees on audit services paid/payable to:		
- Auditor of the Company	143	133
- Other auditors	22	9
Fees on non-audit services paid/payable to:		
- Auditor of the Company	12	13
Rental of office premises	207	134
Staff costs (Note A)	1,867	1,839

Note A- Staff costs

	Group (Restated)	
	2016 \$'000	2015 \$'000
<u>Key management personnel*</u>		
Wages, salaries and other related costs	864	624
Employer's contribution to defined contribution plans including Central Provident Fund	22	12
	886	636
<u>Other staff</u>		
Wages, salaries and other related costs	878	1,082
Employer's contribution to defined contribution plans including Central Provident Fund	103	121
	1,867	1,839

* Comprise amounts paid to:

Directors of the Company	386	279
Other key management personnel	500	357
	886	636

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Income tax expense

	Group	
	2016 \$'000	2015 \$'000
Income tax expense for the financial year consist of:		
<u>From continuing operations</u>		
Current income tax		
- Singapore	–	14
- Foreign	52	29
Deferred income tax (Note 18)		
- Foreign	49	17
	101	60
(Over)/under provision in previous financial years:		
- Singapore	(64)	–
- Foreign	(2)	4
	(66)	4
	35	64
<u>From discontinued operations (Note 27)</u>		
Current income tax	–	–
	35	64

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2015: 17%) to loss before income tax as a result of the following differences:

	Group	
	2016 \$'000	2015 \$'000
Loss before income tax from:		
- continuing operations	(4,056)	(963)
- discontinued operations (Note 27)	(4,127)	(7,413)
	(8,183)	(8,376)
Tax at statutory rate of 17%	(1,391)	(1,424)
Effect of different tax rates in other countries	19	11
Statutory stepped income exemption	–	(20)
Non-deductible expenses	843	580
Income not subject to tax	(1)	(8)
Deferred tax assets not recognised	644	1,011
(Over)/under provision in previous financial years	(66)	4
Utilisation of deferred tax asset not recognised	–	(72)
Tax incentives	–	(7)
Others	(13)	(11)
	35	64

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Income tax expense (cont'd)

As at 31 December 2016, the Group has unabsorbed tax losses of \$15,214,000 (2015: \$31,662,000) and unutilised capital allowance of Nil (2015: \$17,000) which are available to offset against future taxable income. The potential deferred tax asset has not been recognised in the statement of financial position in respect of unabsorbed tax losses and unutilised capital allowance due to the unpredictability of future profit streams.

The income tax benefits from the unabsorbed tax losses and unutilised capital allowance carried forward are available for an unlimited period subject to the conditions imposed by law.

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2015: 17%) and 24% to 25% (2015: 25%) respectively for the year of assessment 2017.

27. Discontinued operations

On 17 March 2016, the Company completed the disposal of its entire shareholding interest in IPT and The Think Environmental Co. Sdn. Bhd. ("Disposal Group") for a cash consideration of \$2. Following the completion of disposal, the post-tax results of the Disposal Group (which previously contributed to the biomass projects segment) were presented separately on the consolidated statement of profit or loss and other comprehensive income as "Discontinued operations" and comparatives have been restated.

The loss for the financial year from the discontinued operations is analysed as follows:

	Group	
	2016	2015
	\$'000	\$'000
Loss of the Disposal Group	719	7,413
Loss on disposal of the Disposal Group	3,408	-
	4,127	7,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Discontinued operations (cont'd)

The results of the Disposal Group presented as discontinued operations for the financial year ended 31 December 2016 and the restated corresponding financial year ended 31 December 2015 are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Construction revenue	1,724	13,037
Cost of sales	(2,103)	(14,164)
Gross loss	(379)	(1,127)
Other income (Note (i))	–	121
Selling and distribution expenses	(8)	(49)
Administrative expenses	(349)	(1,622)
Other expenses	20	(4,642)
Finance costs	(3)	(94)
Loss before Income tax of the Disposal Group (Note (ii))	(719)	(7,413)
Income tax expense	–	–
Loss of the Disposal Group, net of tax	(719)	(7,413)
Loss on disposal of the Disposal Group		
- gain on disposal of discontinued operations (Note 29)	7,434	–
- impairment of amount due from Disposal Group (Note 29)	(10,842)	–
	(3,408)	–
Loss from discontinued operations, net of tax	(4,127)	(7,413)

(i) Other income comprises the following:

	Group	
	2016	2015
	\$'000	\$'000
Government grants	–	44
Write-back of long outstanding payables no longer required	–	77
	–	121

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Discontinued operations (cont'd)

(ii) Loss before income tax of the Disposal Group is arrived at after charging/(crediting):

	Group	
	2016	2015
	\$'000	\$'000
Amortisation of intangible assets (Note 15)	2	8
Interest expenses on borrowings	3	22
Interest expenses on loans	–	40
Finance charge from banks	–	32
Foreign currency exchange loss	23	577
Loss on disposal of property, plant and equipment	–	3
Impairment loss on property, plant and equipment (Note 14)	–	61
Depreciation of property, plant and equipment	24	99
Other recoverable written off	–	660
Impairment loss on investment in an associate (Note 12)	–	44
Waiver of amount due to an associate	–	(44)
Allowance for impairment of:		
- other recoverable (Note 6)	–	406
- doubtful other receivables (Note 32)	–	574
- doubtful trade advance to an associate (Note 32)	–	2,104
- doubtful trade receivables (Note 32)	–	240

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Operating cash flows	(97)	(9,312)
Investing cash flows	–	*
Financing cash flows	171	8,013
Total cash inflows/(outflows)	74	(1,299)

* Amount below \$1,000.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Discontinued operations (cont'd)

(iii) Loss per share from discontinued operations attributable to equity holders of the Company:

	Group	
	2016	2015
Loss for the financial year from discontinued operations used in the computation of basic loss per share from discontinued operations (\$'000)	(3,816)	(4,255)
Weighted average number of ordinary shares on issue ('000)	7,258,154	1,313,246
Basic and diluted loss per share from discontinued operations (cents)	(0.05)	(0.32)

The basic and diluted loss per share from discontinued operations are calculated by dividing the loss from discontinued operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company. As at the end of the respective financial year, diluted loss per share is similar to basic loss per share as there is no dilutive potential ordinary shares.

The following claims and contingent liabilities of the Group are related to IPT as at 31 December 2015:

IPT had various claims and contingent liabilities on contracts entered with IPT's customers as at 31 December 2015. The aggregate maximum liquidated damages according to the terms of the various contracts, was approximately \$11,600,000. On the basis that the outcomes of each of the claims from the IPT's customers could not be reliably estimated and the obligation of the liquidated damages were subject to those outcomes, representation from the management of IPT on the status of the negotiations between IPT and the IPT's customers and lawyer's opinion on the merits of the claims from the IPT's customers, the Directors were of the opinion that no further allowance for doubtful receivables on the amount owing from the IPT's customers of \$6,057,000 and no provision for liquidated damages were necessary as at 31 December 2015.

In 2016, prior to the Group's disposal of IPT, IPT received writs of summons and claims totalled \$668,000 made against it from certain trade creditors for outstanding debts in respect of goods delivered and services rendered to IPT. The full amounts of the outstanding debts claimed under the writs of summons have been provided for in the financial statements as at 31 December 2015. As the management of IPT was unable to determine the probable outcome and current status of the writs of summons, consequently, the Directors were of the opinion that no additional liabilities might arise and no additional liabilities were recognised as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Loss per share

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	Group	
	2016	2015
Loss for the financial year from continuing operations used in the computation of basic loss per share from continuing operations (\$'000)	(4,125)	(998)
Weighted average number of ordinary shares in issue ('000)	7,258,154	1,313,246

(a) Continuing operations

	Group	
	2016	2015
Basic and diluted loss per share from continuing operations (in cents)	(0.06)	(0.08)

Basic loss per share from continuing operations is calculated by dividing loss from continuing operations, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year. As at the end of the respective financial year, diluted loss per share is similar to basic loss per share as there is no dilutive potential ordinary shares.

(b) Continuing and discontinued operations

	Group	
	2016	2015
Basic and diluted loss per share from continuing and discontinued operations (in cents)	(0.11)	(0.40)

Basic loss per share from continuing and discontinued operations is calculated by dividing the loss for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year. As at the end of the respective financial year, diluted loss per share is similar to basic loss per share as there is no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Disposal of subsidiaries

As disclosed in Note 27 to the financial statements, the Company completed the disposal of the Disposal Group during the financial year.

Effect of disposal on the financial position of the Group

	Group 2016 \$'000
Non-current assets	
Property, plant and equipment	207
Investment in associates	–
Intangible asset	14
	<hr/>
Total non-current assets	221
	<hr/>
Current assets	
Trade and other receivables	13,059
Cash and bank balances	35
	<hr/>
Total current assets	13,094
	<hr/>
Non-current liabilities	
Trade and other payables	3,920
Finance leases	70
	<hr/>
Total non-current liabilities	3,990
	<hr/>
Current liabilities	
Trade and other payables	21,290
Borrowings	375
Finance lease	42
	<hr/>
Total current liabilities	21,707
	<hr/>
Foreign currency reserve	3
	<hr/>
Net liabilities derecognised	(12,385)
	<hr/>
Consideration received:	
Cash	*
	<hr/>
Loss on disposal of the Disposal Group	
Consideration received	*
Net liabilities derecognised	12,385
Non-controlling interests derecognised	(4,951)
	<hr/>
Gain on disposal of discontinued operations (Note 27)	7,434
Impairment of amount due from Disposal Group (Note 27)	(10,842)
	<hr/>
Loss on disposal (Note 27)	(3,408)
	<hr/>

The loss on disposal of the Disposal Group is recorded as part of the loss for the financial year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

* Nominal amount of \$2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Disposal of subsidiaries (cont'd)

	Group 2016 \$'000
Net cash inflow arising on disposal:	
Cash consideration received	*
Cash and bank balances disposed of	(35)
Bank overdraft of subsidiaries disposed of	375
	<hr/>
	340
	<hr/>

The impact of disposal of the Disposal Group on the Group's results and cash flows in the current and previous financial years are disclosed in Note 27.

* Nominal amount of \$2

30. Significant related party transactions

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

In addition to the information disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2016 \$'000	2015 \$'000
<i>Former corporate shareholder of a subsidiary</i>		
Rental of office	(3)	(8)
Other expenses	(1)	(6)
<i>Associates</i>		
Purchase from	–	(189)
Repayment to	–	6
Advance to	–	1,510
Advance from	–	(12)
Repayment from	–	(320)
Payment made on behalf of	–	1,072
Payment made on behalf by	–	(31)
Waiver of amount owing to	–	44
Allowance for impairment on trade advance to	–	(2,104)
<i>Fees payable to a firm of which a director is an equity partner</i>		
Professional fees	(80)	–
<i>A director of a subsidiary</i>		
Payment made on behalf by a director who is also a substantial shareholder of the Company	(50)	–
Payment made on behalf by	–	(55)
Repayment to	–	25
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Segment information

Management has determined that the Group's reportable segments are its geographical segments.

Geographical Information

The Group's geographical segments are based on the country of domicile.

Non-current assets are based on the geographical location of the assets which consist of investment in associates, property, plant and equipment and intangible assets as presented in the Group's statement of the financial position.

Analysis by Geographical Segments

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Elimination \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
For the financial year ended 31 December 2016							
Geographical segments by country of domicile							
Revenue							
External sales	5,979	13,086	793	(472)	19,386	1,724	21,110
Inter-segment sales	145	(134)	(483)	472	–	–	–
Total revenue	6,124	12,952	310	–	19,386	1,724	21,110
Results							
Segment results	(5,563)	306	56	1,566	(3,635)	(4,124)	(7,759)
Interest income	121	4	–	(121)	4	–	4
Interest expense	(445)	(101)	–	121	(425)	(3)	(428)
(Loss)/profit before income tax	(5,887)	209	56	1,566	(4,056)	(4,127)	(8,183)
Income tax	64	(90)	(11)	2	(35)	–	(35)
(Loss)/profit for the financial year	(5,823)	119	45	1,568	(4,091)	(4,127)	(8,218)
Other information							
Capital expenditure	12	880	5	–	897	–	897
Depreciation	147	90	1	–	238	24	262
Allowance for impairment of doubtful receivables					763	–	763
Amortisation of intangible assets					–	2	2
Fair value loss and loss on disposal of financial assets, at fair value through profit or loss					110	–	110
Fair value adjustment on redeemable convertible bonds					24	–	24
Impairment loss on available-for-sale financial assets					7	–	7
					1,142	26	1,168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Segment information (cont'd)

Analysis by Geographical Segments (cont'd)

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Elimination \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
For the financial year ended 31 December 2016							
Assets							
Non-current assets	1,096	1,131	4	–	2,231	–	2,231
Other segment assets	14,670	7,028	837	(9,282)	13,253	–	13,253
Consolidated total assets					15,484	–	15,484
Liabilities							
Segment liabilities	4,740	3,499	184	(2,395)	6,028	–	6,028
Borrowings	3,631	2,281	–	(2,193)	3,719	–	3,719
Current income tax liabilities	14	180	30	(61)	163	–	163
Deferred tax liabilities	–	64	16	–	80	–	80
Consolidated total liabilities					9,990	–	9,990
For the financial year ended 31 December 2015							
Geographical segments by country of domicile							
Revenue							
External sales	10,052	2,518	1,344	(1,202)	12,712	13,037	25,749
Inter-segment sales	(1,183)	(10)	(9)	1,202	–	–	–
Total revenue	8,869	2,508	1,335	–	12,712	13,037	25,749
Results							
Segment results	(8,736)	40	93	7,762	(841)	(7,319)	(8,160)
Interest income	283	2	–	(283)	2	–	2
Interest expense	(401)	(6)	–	283	(124)	(94)	(218)
(Loss)/profit before income tax	(8,854)	36	93	7,762	(963)	(7,413)	(8,376)
Income tax	(14)	(9)	(41)	–	(64)	–	(64)
(Loss)/profit for the financial year	(8,868)	27	52	7,762	(1,027)	(7,413)	(8,440)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Segment information (cont'd)

Analysis by Geographical Segments (cont'd)

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Elimination \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
For the financial year ended 31 December 2015							
Other information							
Capital expenditure	9	3	–	–	12	–	12
Depreciation	186	18	–	–	204	99	303
Allowance for impairment of doubtful trade receivables					238	2,718	2,956
Equipment earmarked for construction contracts written off					–	660	660
Allowance for impairment of other recoverable					–	406	406
Amortisation of intangible assets					–	8	8
Fair value loss and loss on disposal of financial assets, at fair value through profit or loss					80	–	80
Impairment loss on property, plant and equipment					–	61	61
Impairment loss and loss on disposal of available- for-sale financial assets					32	–	32
					554	3,952	4,506

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Elimination \$'000	Total \$'000
Assets					
Non-current assets	2,731	296	–	–	3,027
Other segment assets	23,086	1,084	651	(6,515)	18,306
Consolidated total assets					21,333
Liabilities					
Segment liabilities	25,783	182	98	(13,577)	12,486
Borrowings	7,917	96	–	–	8,013
Current income tax liabilities	78	(58)	19	–	39
Deferred tax liabilities	–	7	16	–	23
Consolidated total liabilities					20,561

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Segment information (cont'd)

	Group	
	2016	2015
	\$'000	\$'000
<i>Revenue by geographical location of customers</i>		
Singapore	62	1,463
Malaysia	13,385	2,824
Indonesia	943	190
Thailand	1,853	4,993
Vietnam	2,429	423
Brunei and Myanmar	640	2,345
Others	74	474
Discontinued operations	1,724	13,037
Total	21,110	25,749

Analysis by Business Segments

The following table shows the revenue, the carrying amounts of segment assets and additions to property, plant and equipment, analysed by business segments:

	Revenue		Segment assets		Capital additions	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Continuing operations</i>						
Engineering services	2,560	2,896	1,613	3,416	–	4
Oil and gas equipment	4,881	9,816	3,349	3,454	13	7
Energy services	11,945	–	6,221	–	880	–
Investments and others	–	–	4,301	3,077	4	–
	19,386	12,712	15,484	9,947	897	11
<i>Discontinued operations</i>						
Biomass projects	1,724	13,037	–	11,386	–	1
	21,110	25,749	15,484	21,333	897	12

Information about major customer

Revenue of approximately \$9,682,000 (2015: \$13,031,000) are derived from 2 (2015: 2) external customers who individually contributed 10% or more of the Group's total revenue. The details are as follows:

		2016	2015
Attributable segments		\$'000	\$'000
Customer 1	Singapore	2,368	–
Customer 2	Malaysia	7,314	–
Customer 3	Singapore	–	3,615
Customer 4	Singapore	–	9,416
		9,682	13,031

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments

Categories of financial instruments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets, at fair value through profit or loss				
- Held for trading - quoted equity securities listed on SGX	16	111	16	111
- Designated as at fair value				
- unlisted securities of Singapore redeemable participating shares	21	36	21	36
Available-for-sale financial assets				
- quoted equity securities listed on SGX-ST	2	9	-	-
Loans and receivables (including cash and cash equivalents)	9,893	14,296	3,342	1,168
	9,932	14,452	3,379	1,315
Financial liabilities, at amortised cost				
- Payables and borrowings	9,248	18,883	6,097	6,547
Derivatives liabilities conversion component on redeemable convertible bonds	164	470	164	470
	9,412	19,353	6,261	7,017

Financial risk management

The Group's overall risk management framework is set by the Directors of the Company which sets out the Group's overall business strategies and its risk management philosophy. The Group's overall risk management approach seeks to minimise potential adverse effects on the financial performance of the Group.

There has been no change to the Group's exposure to these financial risks or the way in which it manages and measures financial risk. Market risk, credit risk and liquidity risk exposures are measured using sensitivity analysis indicated below.

(a) Market risk

Foreign exchange risk

The Group operates in Asia with dominant operations in Singapore. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the United States Dollar ("USD"), Malaysian Ringgit ("RM") and Singapore dollar ("SGD").

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, individual Group entities manage as far as possible by natural hedges of matching assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(a) Market risk (cont'd)

Foreign exchange risk (cont'd)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. The Group's currency exposure based on the information provided to key management is as follows:

	USD \$'000	RM \$'000	SGD \$'000
Group			
As at 31 December 2016			
<i>Financial assets</i>			
Cash and bank balances and fixed deposits	1,318	–	30
Trade and other receivables	1,950	82	881
	3,268	82	911
<i>Financial liabilities</i>			
Trade and other payables and borrowings	(1,233)	(2)	(2,193)
Net financial assets/(liabilities) and net currency exposure	2,035	80	(1,282)
As at 31 December 2015			
<i>Financial assets</i>			
Cash and bank balances and fixed deposits	1,804	502	31
Trade and other receivables	1,627	2,126	803
	3,431	2,628	834
<i>Financial liabilities</i>			
Trade and other payables and borrowings	(822)	(625)	–
Net financial assets and net currency exposure	2,609	2,003	834

Company

As at the end of the respective financial year, there is no currency risk exposure for the financial assets and liabilities as they are all denominated in the Company's functional currency.

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for foreign exchange risk is not disclosed as the effect on the loss after tax is considered not significant if the foreign currencies changes against the SGD by 5% (2015: 5%) with all other variables including tax rate being held constant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(a) Market risk (cont'd)

Foreign exchange risk (cont'd)

Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified as either available-for-sale or at fair value through profit or loss on the statement of financial position as at 31 December 2016. These securities are listed on the Singapore Exchange. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analysis for price risk is not disclosed if prices for equity securities change by 10% (2015: 10%) with all other variables including tax being held constant, as the effect on profit or loss and other comprehensive income is considered not significant.

Interest rate risk

The Group's interest rate for short term bank deposits is fixed. The Company's interest rate for loan to subsidiaries is at fixed rate. For interest income from the fixed deposits, the Group manages the interest rate risks by placing fixed deposits with reputable financial institutions on varying maturities and interest rate terms. The debt obligations of the Group and the Company mainly pertain to its term-loan from bank, loans from the holding company of a corporate shareholder of a subsidiary and redeemable convertible bonds are at fixed rates. The finance lease liabilities and bank overdraft are at variable rates. The Group does not hedge its interest rate risk.

The Group and the Company ensures that it borrows at competitive interest rates under favourable terms and conditions.

Sensitivity analysis of the Group's and Company's interest rate risk exposures are not presented as the impact of an increase/decrease of 50 (2015: 50) basis points in interest rates are not expected to be significant.

(b) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. The exposure to credit risk is monitored on an on-going basis. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

At the end of the financial year, the Group's and the Company's maximum exposure to credit risk is represented by:

- (i) the carrying amount of each class of financial assets recognised in the statements of financial position; and
- (ii) corporate guarantees issued by the Company in respect of banking facilities to a subsidiary amounted to Nil (2015: \$12,485,000) to a bank).

The trade and other receivables of the Group and the Company comprise 2 (2015: 2) debtors and 1 (2015: 1) debtor respectively that individually represented 5% - 31% (2015: 14% - 25%) and 75% (2015: 73%) of trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Financial assets that are neither past due or impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

An analysis of the age of trade and other receivables past due as at the end of the financial year but not impaired is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Past due 1-30 days	3,007	378
Past due 31-60 days	407	100
Past due 61-90 days	213	355
More than 90 days	1,729	1,375
	5,356	2,208

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Gross amount:		
Not past due but impaired	–	2,968
Past due more than 90 days	1,492	962
Less: Allowance for impairment	(1,108)	(1,954)
	384	1,976

The movements in the allowance for impairment of doubtful trade receivables are as follows:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year	1,954	1,727
Translation differences	2	(6)
Charge during the financial year	731	278
Write back of allowance	(57)	–
Write off	(120)	(45)
Disposal of subsidiaries	(1,402)	–
At end of financial year	1,108	1,954

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Financial assets that are neither past due or impaired (cont'd)

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

The movement in the allowance for impairment of doubtful other receivables is as follows:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year	574	–
Charge during the financial year	–	574
Disposal of subsidiaries	(574)	–
At end of financial year	–	574

The movement in the allowance for impairment of loan to a third party is as follows:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year	242	277
Charge/(write back) during the financial year	32	(35)
At end of financial year	274	242

The movement in the allowance for impairment of other recoverable is as follows:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year	406	–
Charge during the financial year	–	406
Disposal of subsidiaries	(406)	–
At end of financial year	–	406

The movement in the allowance for impairment of advances to subsidiaries is as follows:

	Company	
	2016	2015
	\$'000	\$'000
At beginning of financial year	5	–
Charge during the financial year	–	5
At end of financial year	5	5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Financial assets that are neither past due or impaired (cont'd)

The movements in the allowance for impairment loss on advances to former subsidiaries are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At beginning of financial year	–	–	10,715	3,728
Charge during the financial year	333	–	460	6,987
Impairment of amount due from Disposal Group (Note 27)	10,842	–		
At end of financial year	11,175	–	11,175	10,715

The movement in the allowance for impairment of doubtful trade advance to an associate is as follows:

	Group	
	2016 \$'000	2015 \$'000
At beginning of financial year	4,009	1,905
Charge during the financial year	–	2,104
Disposal of a subsidiary	(4,009)	–
At end of financial year	–	4,009

The movement in the allowance for impairment of advance to an individual shareholder of an associate is as follows:

	Group	
	2016 \$'000	2015 \$'000
At beginning of financial year	122	122
Disposal of a subsidiary	(122)	–
At end of financial year	–	122

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

The Group's financial liabilities based on the remaining year at the end of the financial year to the contractual maturity date based on contractual undiscounted cash flows are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Less than one year:				
Trade and other payables	5,528	10,870	2,465	1,160
Borrowings	356	484	350	–
	5,884	11,354	2,815	1,160
Between 2 to 5 years:				
Borrowings	3,854	9,488	3,825	6,419
More than 5 years:				
Borrowings	83	99	–	–
	9,821	20,941	6,640	7,579

The maturity profile of the Company's corporate guarantees at the end of the financial year based on contractual undiscounted repayment obligations. The maximum amounts of the corporate guarantees are allocated to the earliest period in which the guarantees could be called.

	Company	
	2016 \$'000	2015 \$'000
Corporate guarantee contracts (Note 36)	–	12,485

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares and obtain new borrowings.

The Directors review the capital structure on a periodic basis. As part of the review, the Directors consider the cost of capital and other sources of funds, including borrowings from banks and redeemable convertible bonds.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by equity.

The capital structure of the Group consists of net equity of the Group comprising share capital, other reserves, accumulated losses and borrowings, less derivative liability conversion component on RCBs. The Group's overall strategy remains unchanged from 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Financial instruments (cont'd)

(d) Capital management (cont'd)

	Group	
	2016 \$'000	2015 \$'000
Borrowings (Note 17)	3,884	8,483
Less: Derivative liability conversion component on RCBs	(164)	(470)
	3,720	8,013
Net equity of the Group	8,900	12,865
Gearing ratio	0.42	0.63

As disclosed in Note 3.1, the Directors believe that the Group has adequate resources to continue its operations as a going concern and the Group will continue to be guided by prudent financial policies of which gearing is monitored.

The Group is in compliance with all externally imposed capital requirements for the respective financial years. The Company is not subject to externally imposed capital requirements for the respective financial years.

33. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Fair value of assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Group				
2016				
Financial assets				
Financial assets, at fair value through profit or loss	16	–	21	37
Available-for-sale financial assets	2	–	–	2
Financial liabilities				
Derivative liability conversion component on redeemable convertible bonds	–	–	164	164
2015				
Financial assets				
Financial assets, at fair value through profit or loss	111	–	36	147
Available-for-sale financial assets	9	–	–	9
Financial liabilities				
Derivative liability conversion component on redeemable convertible bonds	–	–	470	470
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Company				
2016				
Financial assets				
Financial assets, at fair value through profit or loss	16	–	21	37
Financial liabilities				
Derivative liability conversion component on redeemable convertible bonds	–	–	164	164
2015				
Financial assets				
Financial assets, at fair value through profit or loss	111	–	36	147
Financial liabilities				
Derivative liability conversion component on redeemable convertible bonds	–	–	470	470

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Fair value of assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

The fair values of trading securities traded in active markets are based on quoted market prices at the end of the respective financial year. The quoted market prices used for the trading securities held by the Group and the Company are the closing price as at the end of the respective financial year. These financial assets are included in Level 1.

Included in Level 3 are unquoted equity securities that are carried at fair value which is determined by a registered fund manager company at the end of the respective financial year and adjusted for unobservable inputs.

(b) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of non-current receivables and non-current borrowings approximate their fair values at the end of the respective financial year, as the market lending rate at the end of the respective financial year was not significantly different from either its coupon rate of the agreement or market lending rate at the initial measurement date.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

34. Operating lease commitments

As lessee

At the end of the financial year, the commitments in respect of non-cancellable operating leases with terms from 1 to 2 years (2015: 1 to 2 years) for the rental of office premises and photocopying machines from non-related parties were as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than one financial year	173	133	100	31
Later than one financial year but not later than five financial years	81	83	51	59
	254	216	151	90

As lessor

Group

The Group has entered into commercial leases on the rental of generators. These non-cancellable leases have tenures of 1 (2015: Nil) year and the leases include a clause to enable renewal of leases annually. Future minimum rental receivable under non-cancellable operating leases at the end of the financial year amounted to \$546,000 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. Capital commitment

On 23 December 2016, the Company announced that it has entered into a conditional sale and purchase agreement to acquire 49% shareholding interests, representing 2,450,000 ordinary shares, in Horizon Greentech Resources Sdn. Bhd., a company incorporated in Malaysia principally in the business of extrusion and recycling of end-of-life waste tyres for the production of tyre derived fuel, carbon black and scrap metal, for a consideration of \$4,200,000. The consideration will be satisfied by:

- (i) \$2,600,000 through promissory notes repayable within 6 months from the completion date (or such other later date as may be mutually agreed in writing between the Company the vendors), bearing an interest of 8% per annum; and
- (ii) \$1,600,000 by way of the allotment and issuance of ordinary shares of the Company at the price of \$0.001 per share.

As at the date of the report, the acquisition has not been completed.

36. Contingent liability

Guarantee

There is no corporate guarantee given by the Company as at 31 December 2016. The Company's leasehold property, which is presented as "non-current asset classified as held-for-sale" in the statement of financial position, is used as a security for banking facilities of IPT (Note 10).

As at 31 December 2015, corporate guarantees given by the Company for banking facilities to IPT amounted to \$12,485,000, which the subsidiary had utilised bank overdraft amounted to \$433,000 and financial guarantee amounted to \$1,671,000. The banking facilities were also secured on the Company's leasehold property. The fair value of the corporate guarantees as at the end of the financial year ended 31 December 2015 was considered negligible.

37. Other Matters

Matters with Commercial Affairs Department

As announced by the Company on 4 April 2015 and 29 April 2015, the Company and certain of its subsidiaries, P.J. Services Pte Ltd, Nu-Haven Incorporated and IPT (which was disposed during the financial year), were served with notices to provide certain information and documents for the period from 1 January 2011 to 3 April 2015 to the Commercial Affairs Department (the "CAD") in relation to its investigations into an offence under the Securities and Futures Act (Cap. 289). Since then, the Company has been co-operating fully with CAD in its investigations. On 7 February 2017, the CAD confirmed to the Company's external auditor that its investigations are on-going. The CAD has not provided the Company with any further details or updates of its investigations.

One of the Group's employee, who was the Company's former Chief Operating Officer, is assisting the CAD with its investigations.

The business and day-to-day operations of the Group are not affected by the investigations and have continued as normal. However, the ongoing investigations have cast a negative outlook on the Company from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

38. Events after the financial year

Other than as disclosed elsewhere in these financial statements, subsequent to the financial year:

- (i) the Company issued the sixteenth sub-tranche of the Tranche 1 RCBs, with an aggregate principal amount of \$500,000; and
- (ii) the subscribers of the RCBs exercised its rights to convert RCBs with an aggregate principal value of \$350,000, which are converted into a total of 411,764,705 RCB Conversion Shares at \$0.00085 per RCB Conversion Share.

39. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2015

The independent auditor's report dated 12 April 2016 expressed a qualified audit opinion on the financial statements for the financial year ended 31 December 2015. The extract of the basis for qualified audit opinion is as follows:

Basis for Qualified Opinion

Trade and other receivables relating to a subsidiary, Industrial Power Technology Pte Ltd ("IPT")

Included in the trade and other receivables shown in 2015 financial statements is a net carrying amount of \$7,986,000 comprising amounts due from FTJ Bio Power Sdn. Bhd. ("FTJ") of \$1,975,000, Songkhla Biomass Company Limited ("Songkhla") of \$3,403,000, Thai Maidensha Company Limited ("Thai Maidensha") of \$679,000 and advance for equipment of \$1,929,000.

During the financial year ended 31 December 2015, IPT received a notice of termination letter from FTJ in respect of a contract between IPT and FTJ on grounds of alleged breach and default by IPT on certain terms under the contract. As disclosed in 2015 financial statements, the matters relating to the notice of termination letter are still on-going as at the date of this report. The Directors are of the opinion that the outcome and exposure to liquidated damages cannot be reliably estimated.

In addition, arising from delay in delivery of certain projects with Songkhla and Thai Maidensha, IPT is also exposed to payment of liquidated damages to the respective debtors. Details of these contracts and the Group's exposure to liquidated damages are disclosed in 2015 financial statements.

We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the total receivables of \$7,986,000 included in trade and other receivables, and whether any provision for liquidated damages is required in the consolidated financial statements for the financial year ended 31 December 2015 with respect to the above mentioned matters.

Writs of summons relating to IPT

As disclosed in 2015 financial statements, IPT received writs of summons and claims totaling \$668,000 from certain trade creditors subsequent to the end of the reporting period, for outstanding debts in respect of goods delivered and services rendered to IPT. Full amounts of the outstanding debts claimed under the writs of summons have been provided in the 2015 financial statements. The Directors are of the view that no further liabilities are required to be recognised with respect to the writs of summons. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether any provision for other liabilities is required in the consolidated financial statements for the financial year ended 31 December 2015 with respect to the writs of summons.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

39. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2015 (cont'd)

Opening balances

The auditor's report on the Group's financial statements for the financial year ended 31 December 2014 similarly included a qualification on the recoverability of the carrying amount of net trade receivables of \$2,863,000 arising from a notice of termination of contract received from FTJ, and inability to ascertain whether any provision is required with respect to the notice of termination.

In view of the matters described in the basis for qualified opinion paragraphs on the financial statements for the financial year ended 31 December 2014, we are unable to determine whether the opening balances of the Group as at 1 January 2015 are fairly stated. Since the opening balances as at 1 January 2015 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2015, we are unable to determine whether adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2015.

Our opinion on the 2015's financial statements of the Group is also modified because of the possible effect of these matters on the comparability of the 2015's figures and the corresponding figures.

Qualified Opinion on consolidated financial statements of the Group

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Opinion on the statement of financial position and statement of changes in equity of the Company

In our opinion, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the changes in equity of the Company for the financial year ended on that date.

Emphasis of Matter

1. Matters with Commercial Affairs Department

We draw your attention to 2015 financial statements which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("CAD") investigations.

On 22 January 2016, the CAD confirmed to us that its investigations are on-going. As informed to us by the Directors, the CAD has not provided the Company with any further details or updates of its investigations.

In view of the above, there exists an uncertainty, whether the on-going investigations, the outcome of which is unknown, may have an impact on the Group's on-going business operations. However, the on-going investigations have cast a negative outlook on the Company from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

Our opinion is not qualified in respect of this matter.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

39. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2015 (cont'd)

Emphasis of Matter (cont'd)

2. Going concern assumption

We draw your attention to 2015 financial statements. During the financial year ended 31 December 2015, the Group reported a net loss of \$8,440,000 (2014: \$14,492,000) and has net operating cash outflows of \$8,721,000 (2014: \$417,000), and the Company reported a net loss of \$7,670,000 (2014: \$13,872,000). At 31 December 2015, the Group's and the Company's accumulated losses amounted to \$47,840,000 (2014: \$42,587,000) and \$54,068,000 (2014: \$46,398,000) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Nevertheless, for the reasons disclosed in 2015 financial statements, the Directors were of the view that it was appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis.

The financial statements did not include any adjustments that may result in the event that the Group and the Company was unable to continue as a going concern. In the event that the Group and the Company was unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

Our opinion is not qualified in respect of this matter.

40. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 11 April 2017.

STATISTICS OF SHAREHOLDINGS

As at 31 March 2017

Issue and fully paid-up share capital	:	\$63,924,268
Number of issued Shares	:	12,140,220,497
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote for each Share

The Company does not hold any treasury shares or subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	11	0.30	121	0.00
100 - 1,000	174	4.81	111,699	0.00
1,001 - 10,000	524	14.49	3,832,392	0.03
10,001 - 1,000,000	2,539	70.20	508,484,310	4.19
1,000,001 and above	369	10.20	11,627,791,975	95.78
Total	3,617	100.00	12,140,220,497	100.00

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 31 March 2017)

	Direct Interest		Deemed Interest	
	Number of Shares held	%	Number of Shares held	%
Lim In Chong	1,000,000,000	8.24	—	—
Chong Shin Mun ⁽¹⁾	974,500,000	8.03	—	—

Note:

(1) Shares are held by RHB Securities Singapore Pte Ltd and DBS Vickers Securities (S) Pte Ltd as nominees.

STATISTICS OF SHAREHOLDINGS

As at 31 March 2017

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1.	Phillip Securities Pte Ltd	1,447,347,400	11.92
2.	RHB Securities Singapore Pte Ltd	1,275,198,000	10.50
3.	DBS Vickers Securities (Singapore) Pte Ltd	1,159,348,191	9.55
4.	Lim In Chong	1,000,000,000	8.24
5.	OCBC Securities Private Ltd	540,468,582	4.45
6.	IPCO International Limited	500,000,000	4.12
7.	Citibank Nominees Singapore Pte Ltd	497,490,000	4.10
8.	CIMB Securities (Singapore) Pte Ltd	471,320,100	3.88
9.	UOB Kay Hian Pte Ltd	388,125,000	3.20
10.	DBSN Services Pte Ltd	370,000,000	3.05
11.	Raffles Nominees (Pte) Ltd	309,339,300	2.55
12.	Ong Siow Fong	309,000,000	2.54
13.	United Overseas Bank Nominees (Pte) Ltd	264,300,300	2.18
14.	Lim Sze Chia	248,578,900	2.05
15.	Ooi Wooi Jing	176,900,000	1.46
16.	DBS Nominees Pte Ltd	136,543,105	1.12
17.	Wong Chin Yong	100,000,000	0.82
18.	Keith Tan Junjie	95,000,000	0.78
19.	Maybank Kim Eng Securities Pte Ltd	82,868,000	0.68
20.	Wee Teow Heng Albert	70,000,000	0.58
	Total	9,441,826,878	77.77

SHAREHOLDINGS HELD BY PUBLIC

Based on the information provided to the Company as at 31 March 2017, there were 10,057,450,697 Shares held in the hands of the public, representing 82.84% of the number of issued Shares of the Company. Accordingly, Rule 723 of the Catalist Rules has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

ANNICA HOLDINGS LIMITED

(Company Registration No. 198304025N)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “AGM”) of Annica Holdings Limited (the “Company”) will be held at the Village Hotel Katong, 25 Marine Parade, Singapore 449536 on Friday, 28 April 2017 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and audited financial statements of the Company for the financial year ended 31 December 2016 and the Independent Auditor’s Report thereon.

[Resolution 1]
2. To re-elect the following Directors, who retire by rotation in accordance with Article 104 of the Company’s Constitution (the “**Constitution**”) and who, being eligible, offer themselves for re-election as Directors:
[See Explanatory Note (a)]
 - (i) Mr. Su Jun Ming **[Resolution 2(i)]**
 - (ii) Mr. Adnan Bin Mansor **[Resolution 2(ii)]**
3. To approve the payment of Directors’ fees of \$116,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears (31 December 2016: \$101,000).

[Resolution 3]
4. To re-appoint Baker Tilly TFW LLP as the Independent Auditor of the Company and to authorise the Directors to fix its remuneration.

[Resolution 4]
5. To transact any other business that may properly be transacted at an annual general meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

6. Authority to allot and issue shares and convertible securities

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and subject to Rule 806 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”), authority be and is hereby given to the Directors to allot and issue:

- (a) shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; or
- (b) convertible securities; or
- (c) additional convertible securities arising from adjustments made to the number of convertible securities or previously issued in the event of rights, bonus or capitalisation issues; or
- (d) Shares arising from the conversion of the securities in (b) and (c) above.

at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed 100% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to existing Shareholders shall not exceed 50% of the Company's total number of issued Shares (excluding treasury Shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury Shares and subsidiary holdings) at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution for the time being of the Company; and
- (iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. *[See Explanatory Note (b)]*

[Resolution 5]

7. Authority to allot and issue Shares under the Annica Performance Share Plan (“Share Plan”)

That pursuant to the resolutions passed by Shareholders on 2 September 2016 in respect of the Share Plan, authority be and is hereby given to the Directors to offer and grant awards in accordance with the Share Plan, and to allot and issue from time to time such number of new Shares, and on such terms, as may be required to be issued pursuant to the vesting of awards under the Share Plan, provided always that the aggregate number of Shares allotted and issued pursuant to the Share Plan and any other Share schemes shall not exceed 15% of the total issued Shares of the Company (excluding treasury Shares and subsidiary holdings) on the day preceding that date. *[See Explanatory Note (c)]*

[Resolution 6]

8. Authority to allot and issue Shares under the Annica Employee Share Option Scheme (“Option Scheme”)

That pursuant to the resolutions passed by Shareholders on 2 September 2016 in respect of the Option Scheme, authority be and is hereby given to the Directors to offer and grant options in accordance with the Option Scheme, and to allot and issue from time to time such number of Shares, and on such terms, as may be required to be issued pursuant to the exercise of options under the Option Scheme, provided always that the aggregate number of Shares allotted and issued pursuant to the Option Scheme and any other Share schemes shall not exceed 15% of the total issued Shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding that date. *[See Explanatory Note (d)]*

[Resolution 7]

By Order of the Board

Tan Poh Chye Allan
Elaine Beh Pur-Lin
Joint Company Secretaries

13 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (a) In relation to Ordinary Resolution 2(i), Mr. Su Jun Ming will, upon re-election as a Director, remain as a Non-Executive Director and he is considered to be independent for the purposes of Rule 704(7) of the Catalist Rules. He will continue to serve as the Lead Independent Director, Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee.

In relation to Ordinary Resolution 2(ii), Mr. Adnan Bin Mansor will, upon re-election as a Director, remain as a Non-Executive Director and he is considered to be independent for the purposes of Rule 704(7) of the Catalist Rules. He will continue to serve as the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee.

- (b) Ordinary Resolution 5, if passed, will empower the Directors from the time this Resolution is passed until the next annual general meeting of the Company to issue Shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings), of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) at the time this Resolution is passed, for such purposes as they consider would be in the interests of the Company. For the purpose of determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury Shares and subsidiary holdings) will be calculated on the basis of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) at the time that this Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities and any subsequent bonus issue, consolidation or subdivision of Shares.
- (c) Ordinary Resolution 6, if passed, will empower Directors to allot and issue Shares in the Company (pursuant to the Share Plan and any other Share schemes) of up to a number not exceeding 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time pursuant to the vesting of the Share Plan.
- (d) Ordinary Resolution 7, if passed, will empower Directors to allot and issue Shares in the Company (pursuant to the Option Scheme and any other Share schemes) of up to a number not exceeding 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time pursuant to the exercise of options under the Option Scheme.

Notes on AGM:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the Proxy Form.
2. Pursuant to Section 181(1C) of the Companies Act, any member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.
3. A proxy need not be a member of the Company.
4. The duly executed instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not later than forty-eight (48) hours before the time set for the AGM.
5. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
6. A depositor's name must appear in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore) maintained by The Central Depository (Pte) Limited not later than seventy-two (72) hours before the time set for the AGM in order for the depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy Terms:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

ANNICA HOLDINGS LIMITED

(Company Registration No. 198304025N)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Relevant Intermediaries (as defined in Section 181 (6) of the Companies Act, Chapter 50 of Singapore) may appoint more than two (2) proxies to attend, speak and vote at the AGM.
2. For investors who have used their Central Provident Fund monies to buy Shares in the Company (the "CPF Investors"), this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their CPF Approved Nominees if they have any queries regarding their appointment as proxies.

PERSONAL DATA PRIVACY TERMS:

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 AGM dated 13 April 2017.

PROXY FORM

I/We _____ (Name), _____ (NRIC/Passport/Company Registration Number)

of _____ (Address)

being *a member/members of ANNICA HOLDINGS LIMITED (the "Company") hereby appoint:-

Name	Address	NRIC/ Passport Number	Proportion of shareholding (%)

*and/or

Name	Address	NRIC/ Passport Number	Proportion of shareholding (%)

or failing *him/them, the Chairman of the Annual General Meeting (the "AGM") as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf, at the AGM to be convened on Friday, 28 April 2017 at 10.30 a.m. at the Village Hotel Katong, 25 Marine Parade, Singapore 449536, and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

Please indicate with a "√" in the space provided to exercise your vote "For" or "Against" the Resolutions as set out in the Notice of AGM dated 13 April 2017. Alternatively, please indicate the number of Shares as appropriate.

No.	Resolutions relating to:	FOR	AGAINST
As Ordinary Business			
1.	Adoption of the Directors' Statement and the Company's audited financial statements for the financial year ended 31 December 2016.		
2(i).	Re-election of Mr. Su Jun Ming as a Director.		
2(ii).	Re-election of Mr. Adnan Bin Mansor as a Director.		
3.	Approval of Directors' fees of \$116,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears (31 December 2016: \$101,000).		
4.	Re-appoint Baker Tilly TFW LLP as the Independent Auditor and to authorise the Directors to fix its remuneration.		
As Special Business			
5.	Authority to allot and issue Shares and convertible securities		
6.	Authority to allot and issue Shares under the Share Plan		
7.	Authority to allot and issue Shares under the Option Scheme		

Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of AGM dated 13 April 2017 for the full purpose and intent of the Resolutions to be passed.

Dated this _____ day _____ of 2017

Total number of Shares held:	
(a) in CDP Register	
(b) in Register of Members	

Signature(s) of Member(s)/Common Seal

*please delete as appropriate

IMPORTANT: PLEASE READ NOTES OVERLEAF



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, Chapter 289 of Singapore), you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this Proxy Form shall be deemed to relate to all the Shares held by you.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the Proxy Form.
3. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.
4. A proxy need not be a member of the Company.
5. The duly executed instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, not later than forty-eight (48) hours before the time set for the AGM.

**Affix
Postage
Stamp
here**

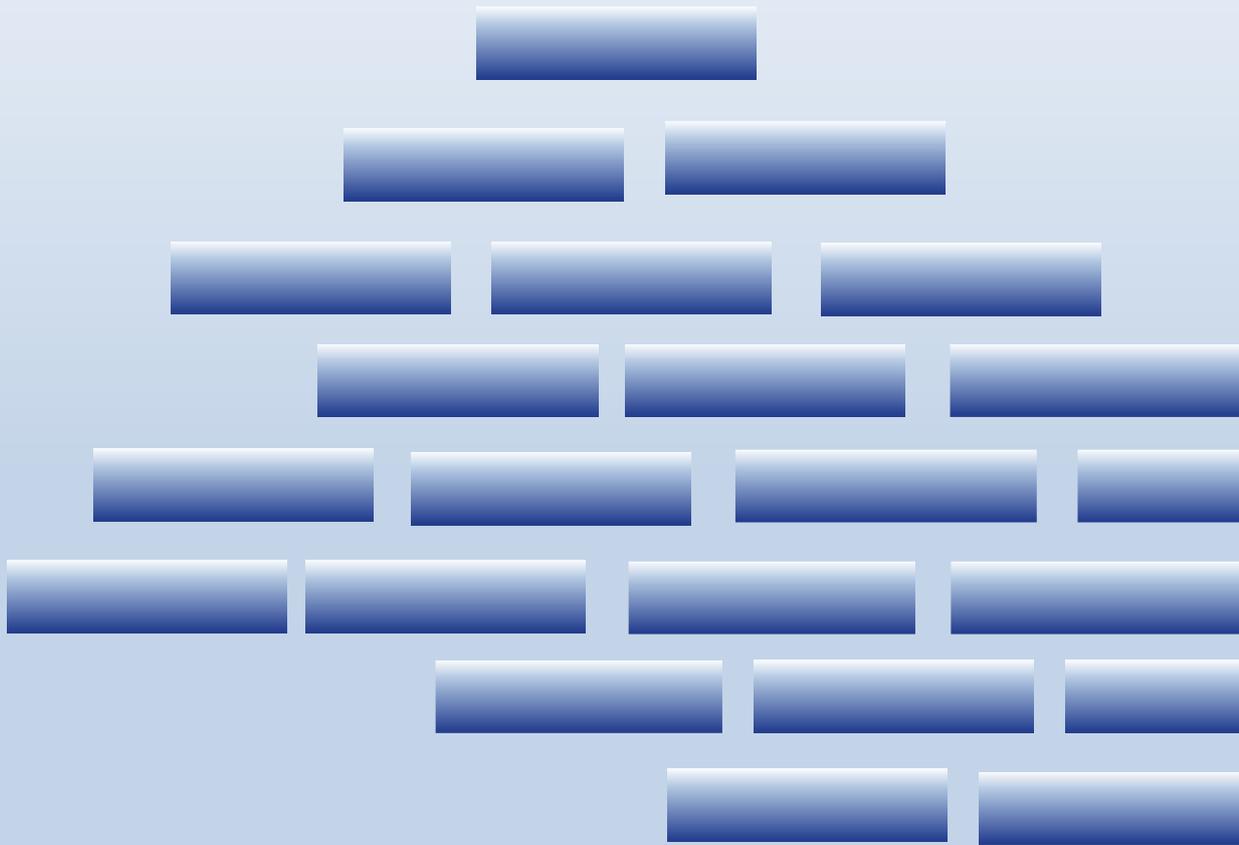
ANNICA HOLDINGS LIMITED

c/o B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

6. Completion and return of the instrument appointing a proxy or proxies by a member shall not preclude him from attending and voting at the AGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM 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 AGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. 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 AGM, in accordance with Section 179 of the Companies Act.
10. CPF Investors who buy Shares in the Company may attend and cast their vote at the AGM in person. CPF Investors who are unable to attend the AGM but would like to vote, may inform CPF Approved Nominees to appoint Chairman of the AGM to act as their proxy, in which case, the CPF Investor shall be precluded from attending the AGM.

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 not later than seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



ANNICA HOLDINGS LIMITED

(COMPANY REGISTRATION NO. 198304025N)

**1 RAFFLES PLACE
#18-61 TOWER 2
SINGAPORE 048616**