

# **ANNICA HOLDINGS LIMITED**

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## ANNUAL REPORT 2012

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

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 correctness of any of the statements or opinions made or reports contained in this Annual Report.

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# CHAIRMAN'S MESSAGE

## Dear Shareholders

On behalf of the board of directors ("**Board**"), I am pleased to present to you the Annual Report of Annica Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2012 ("**FY2012**").

***FY2012 had been both a challenging and an exciting year for the Group. The operating results were favourable and the Group also completed two fund-raising exercises and acquired businesses during the current financial year to boost its operational base.***

## BUSINESS REVIEW

In the face of the sluggish global economic growth in FY2012, the Group posted revenue of \$16.96 million, which was an increase of 66% or \$6.76 million from \$10.2 million reported during the financial year ended 31 December 2011 ("**FY2011**"), riding on the higher market demand for oil and gas equipment and that the Group was able to secure more high value contracts by being price competitive. Geographically, the Group continues to serve the customers in the Asia Pacific region through its operations in Singapore, Malaysia and Indonesia, which accounted for 29%, 68% and 3%, respectively, of the Group's revenue. On the back of the increased revenue, the Group turned in net profit of \$3.83 million in FY2012, compared to a loss of \$2.16 million one year ago. The higher net profit was also attributed to higher trading gains as well as fair value gain adjustments on our investment portfolios, which was in line with the buoyant market leading to the appreciation of the quoted market prices of the marketable securities held by the Group. As a result, earning per share of the Group for FY2012 rose to 0.63 cents compared to the loss per share of 0.47 cents in FY2011. I am pleased to report that the Group's shareholders' equity had strengthened to \$30.32 million and net assets value per share attributable to equity holders increased to 4.62 cents as at 31 December 2012. Together with the positive cash flow, these encouraging FY2012 results spurred the Group to strive and deliver earnings growth and augment shareholders' value.

## MAJOR CORPORATE EVENTS

### Private placement of 210,000,000 new ordinary shares

The Company issued 210 million new ordinary shares ("**Placement Shares**") by way of a private placement at an issue price of 1.9 cents for each Placement Share. The Placement Shares were listed and quoted for trading on 26 April 2012. The net proceeds from the Placement Shares after share issue expense were \$3.96 million ("**Placement Shares Net Proceeds**") which had been fully utilised and applied towards part settlement of the purchase consideration in connection with the acquisition of Industrial Power Technology Pte Ltd as discussed below.

### Acquisition of Industrial Power Technology Pte Ltd, The Think Environmental Co. Sdn. Bhd. and a Property (the "**Industrial Power Acquisitions**")

On 28 September 2012, the Company entered into a sale and purchase agreement to acquire 60% of the entire issued share capital of Industrial Power Technology Pte Ltd ("**Industrial Power**"); (ii) the property located at 38 Kallang Place, Singapore 339166 (the "**Property**") and; (iii) 100% of the entire issued share capital of The Think Environmental Co. Sdn. Bhd. ("**TTEC**"); for an aggregate consideration of \$12.5 million. The Board is of the view that the business of Industrial Power and TTEC, which are in the business of biomass power plant developer and integrator and specialist engineering, procurement and construction contractor for biomass power generation projects, respectively, are complementary to that of the Group's existing oil and gas equipment and engineering businesses, thus, allowing the Group to offer a wider range of integrated services to its new and existing customers. The Property is a 2-storey terrace factory leased from JTC Corporation for a period of 60 years from 20 June 1981 currently being occupied by Industrial Power as its office and operating premises.

# CHAIRMAN'S MESSAGE

The Industrial Power Acquisitions are financed through internal resources, which include, *inter alia*, the Placement Shares Net Proceeds and proposed bank borrowings for the Property. The acquisition of Industrial Power and TTEC was completed on 28 December 2012 and 23 January 2013, respectively. The completion of the acquisition of the Property is ongoing as of the date of this Report.

## **Rights Issue of 656,139,662 new ordinary shares**

On 15 January 2013, the Company completed a renounceable non-underwritten rights issue of 656.14 million new ordinary shares ("**Rights Shares**") at an issue price of 1.5 cents for each Right Share on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company. The Rights Shares were fully subscribed and listed and quoted for trading on 16 January 2013. Following the allotment and issuance of the Rights Shares, the total number of issued Shares of the Company increased from 656.14 million Shares to 1,312.28 million Shares. The net proceeds of approximately \$9.84 million are ear-marked to fund the operations of the Company's subsidiaries and for general working capital purposes.

## **OUTLOOK**

The Board recognises that the global economy continues to face headwinds in the coming year. Bearing in mind the availability and fluctuations in prices of biomass, oil and natural gas and the associated high working capital requirements for its operation, the Group undertakes to constantly review its operating models, strategies and planning process to enable it to enhance its competitiveness and market presence. The Board is also mindful of the risks associated with the returns on the investment portfolios as they are dependent on market volatility and investor sentiment.

## **ACKNOWLEDGEMENTS AND APPRECIATION**

The Board would like to take this opportunity to thank our Shareholders for their confidence and trust in the Group. The Board is also grateful to our valued customers, suppliers, bankers and business associates for their continued support and partnership; and to our dedicated management and staff for their hard work and commitment to the Group.

As Chairman of the Board, it remains for me to express my sincere appreciation and gratitude to my fellow Directors and to Mr Lim Meng Check, our former Chief Executive Officer and Executive Director, as well as Tan Soo Khoo Raymond, our Independent and Non-Executive Director, who will retire at the conclusion of the upcoming Annual General Meeting on 30 April 2013, for their invaluable contribution and continuous guidance.

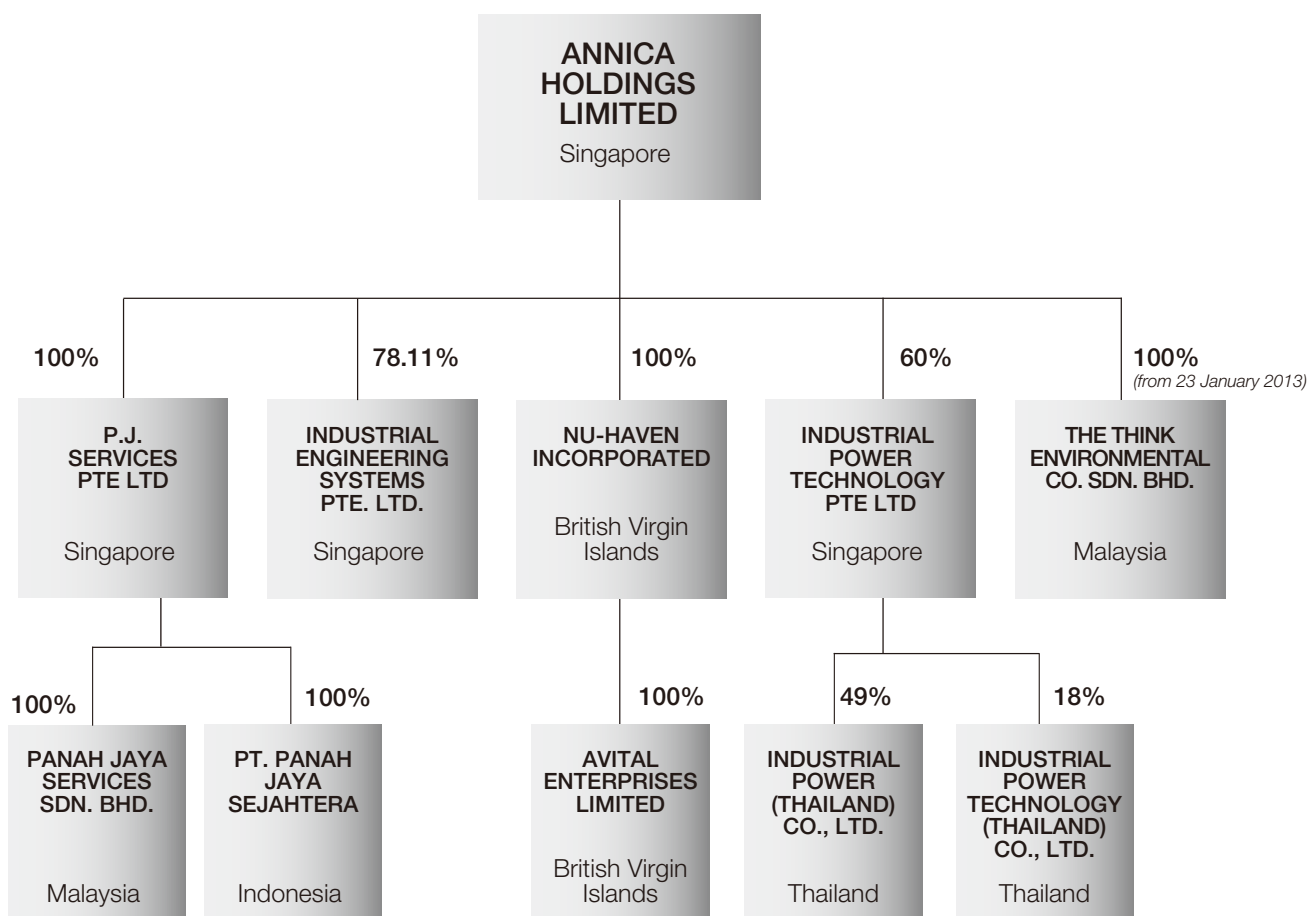
## **EDWIN SUGIARTO**

Chairman and Executive Director

# CORPORATE PROFILE

Incorporated in Singapore in 1983 and admitted to the former Official List of SGX-SESDAQ (now known as the Catalist Board of the SGX-ST) in 2001, Annica Holdings Limited is an investment holding company with subsidiaries operating mainly in Singapore, Malaysia, Indonesia and Thailand, specialising in the sale of oil and gas equipment and oilfield equipment with customised engineering solution and as a developer and integrator of biomass power plant.

## CORPORATE STRUCTURE



## FINANCIAL PERFORMANCE

### Revenue and Gross Profit

Revenue soared by \$6.76 million to \$16.96 million in FY2012, which was 66% higher than the revenue of \$10.20 million reported in FY2011. 73% or \$12.33 million of the Group's revenue was generated from the sale of oil and gas equipment and 27% or \$4.63 million was from the engineering services segment. Amidst a slowdown in sales in Singapore and Indonesia, the Group saw stronger demand for oil and gas related projects in Malaysia, a market which accounted for 68% of the Group's total revenue.

The Group's higher revenue led to the favourable gross profit reported in FY2012, which was an increase of \$0.5 million from \$2.17 million in FY2011 to \$2.67 million in FY2012. However, the Group's gross margin lowered by 5.5% from 21.2% in FY2011 to 15.7% in FY2012 as a result of the competitive pressure in the oil and gas equipment business segment.

### Other income

The increase in other income of \$6.63 million from \$0.82 million in FY2011 to \$7.45 million in FY2012 was due mainly to higher trading gains on investments in financial assets as well as fair value gain adjustments on investments in financial assets, at fair value through profit or loss, which was in line with the appreciation of the quoted market prices of the marketable securities held by the Group during FY2012, coupled with a gain on discounting of long-term trade receivables.

### Selling and distribution expenses

The Group incurred selling and distribution expenses of \$0.31 million in FY2012, which was a marginal increase of \$0.07 million from \$0.24 million in FY2011, as more aggressive marketing efforts were made to secure more contracts as evidenced by the increase in the Group's revenue.

### Administrative and general expenses

The Group's administrative and general expenses rose from \$2.97 million in FY2011 to \$3.43 million in FY2012. The increase of \$0.46 million was a result of salary increments, increase in staff headcount and higher professional fees incurred in relation to the various corporate exercises undertaken by the Group.

### Other expenses

Other expenses of \$2.50 million during FY2012 arose from the impairment loss adjustment of \$2.47 million on goodwill associated with a subsidiary, Industrial Engineering Systems Pte Ltd ("IES"), which was acquired in 2009; and foreign exchange loss. The impairment loss was made after considering the market conditions that IES operates in and its growth potential. In FY2011, other expenses of \$1.84 million comprised mainly allowance for full impairment of loans and accrued interest thereon to and expenses paid on behalf of a joint venture, Aretae Ecoventure Pte Ltd. The joint venture was dissolved during FY2012.

### Finance costs

Finance costs of \$0.04 million in FY2012 were from interest expenses on bank borrowings, trust receipts and finance leases. The marginal increase from \$0.02 million in FY2011 was the result of higher trust receipts facilities obtained during FY2012.

### Net profit

In view of the favourable contributions from gross profit and other income, the Group registered net profit of \$3.83 million compared to the loss of \$2.16 million year-on-year.

# FINANCIAL REVIEW

## FINANCIAL POSITION

### Current assets

As a result of the assets acquired from Industrial Power and additional investments in financial assets, at fair value through profit or loss and a fair value gain adjustment on these financial assets, current assets of the Group totalled \$22.92 million as at FY2012. Partially offset by collections from trade and other receivables, this was an increase of \$9.77 million from \$13.15 million as at FY2011.

### Non-current assets

The Group's non-current assets increased by \$6.55 million from \$12.28 million as at FY2011 to \$18.73 million as at FY2012 due mainly to recognition of provisional goodwill of \$8.53 million relating to the excess of the cost of acquisition over the proportionate value of the assets acquired and liabilities assumed from Industrial Power and fair value gain adjustments on investments in available-for-sale financial assets. The increase was partially offset by the impairment loss adjustment of \$2.47 million on the goodwill associated with IES. Included in the available-for-sale financial assets were quoted equity securities which were measured at quoted market price as at the respective reporting dates.

### Current liabilities

The Group reported current liabilities of \$9.48 million as at FY2012. Liabilities assumed from Industrial Power and additional finance lease taken up on the purchase of a motor vehicle, partially offset by repayment of borrowings, led to the increase of \$3.30 million in total current liabilities from \$6.18 million as at FY2011.

### Non-current liabilities

Non-current liabilities of the Group was higher at \$0.22 million as at FY2012 compared to \$0.03 million as at FY2011 mainly contributed by liabilities assumed from Industrial Power, partially offset by repayment of finance leases.

### Shareholders' equity

Capital and reserves attributable to equity holders of the Company was \$30.32 million as at FY2012, an increase of \$11.64 million from \$18.69 million as at FY2011. The increase was the result of the issuance of Placement Shares less share issue expenses, fair value gains on investments in available-for-sale financial assets taken directly to fair value reserves following the appreciation of the quoted market prices of the equity securities as well as the Group's total net profit generated during FY2012.

## CASH FLOWS

As at FY2012, the Group held a cash balance of \$4.18 million, contributed mainly by cash inflow of \$2.47 million from Industrial Power and net cash of \$0.76 million generated from the Group's internal funds during FY2012.

Cash used in operating activities arose mainly from net purchase of financial assets, at fair value through profit or loss, faster settlement of payables and income tax paid, partially offset by improved collections from trade and other receivables and reduced inventory level to facilitate cash flow.

Cash used in investing activities comprised net purchase of available-for-sale financial assets.

The Group generated cash from financing activities from the Placement Shares Net Proceeds received, partially offset by repayments of trust receipts and finance leases.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Edwin Sugiarto

*(Chairman and Executive Director)*

Nicholas Jeyaraj s/o Narayanan

*(Non-Independent and Non-Executive Director)*

Tan Soo Khoon Raymond

*(Independent and Non-Executive Director)*

Goh Hin Calm

*(Independent and Non-Executive Director)*

Ong Su Aun Jeffrey

*(Independent and Non-Executive Director)*

## KEY MANAGEMENT

Mohd Nor Azmi Nordin

Pek Seck Wei

Hoon Cheong Kong Danny

## COMPANY SECRETARY

Ong Sing Huat

## AUDIT COMMITTEE

Goh Hin Calm (Chairman)

Tan Soo Khoon Raymond

Ong Su Aun Jeffrey

## NOMINATING COMMITTEE

Tan Soo Khoon Raymond (Chairman)

Ong Su Aun Jeffrey

Goh Hin Calm

## REMUNERATION COMMITTEE

Ong Su Aun Jeffrey (Chairman)

Tan Soo Khoon Raymond

Goh Hin Calm

## REGISTERED OFFICE

9 Temasek Boulevard

#41-01 Suntec Tower 2

Singapore 038989

Telephone number: 6336 0123

Fax number: 6332 1480

## AUDITOR

LTC LLP

Certified Public Accountants

1 Raffles Place

#17-02 One Raffles Place

Singapore 048616

Partner-in-charge: Tsang Siu For Thomas

(Appointed from financial year ended 31 December 2012)

## SOLICITORS

Robert Wang & Woo LLP

## SHARE REGISTRAR

B.A.C.S. Private Limited

63 Cantonment Road

Singapore 089758

## SPONSOR

Stamford Corporate Services Pte Ltd

10 Collyer Quay

#27-00 Ocean Financial Centre

Singapore 049315

## PRINCIPAL BANKER

DBS Bank Ltd

12 Marina Boulevard

Marina Bay Financial Centre Tower 3

Singapore 018982

# BOARD OF DIRECTORS

## **Edwin Sugiarto**

*Chairman and Executive Director*

Edwin is the Chairman and Executive Director and was appointed to the Board on 24 June 2009. He is responsible for the overall management and operations, formulation of corporate strategies and future business and strategic direction of the Group. Edwin has more than 20 years of business and entrepreneurial experience in Asia.

## **Nicholas Jeyaraj s/o Narayanan**

*Non-Independent and Non-Executive Director*

Appointed to the Board on 10 July 2008, Nicholas is the Non-Independent and Non-Executive Director. Nicholas is practicing as an Advocate and Solicitor of the Supreme Court of Singapore and currently runs his own practice, Nicholas & Tan Partnership LLP. He graduated with a Bachelor of Law (Honours) degree from the University of Wolverhampton and is a Barrister-at-law of the Inner Temple. A Fellow of the Chartered Institute of Arbitrators and the Singapore Institute of Arbitrators as well as a Commissioner for Oaths, Nicholas holds office as an Independent and Non-Executive Director of Eastern Holdings Limited, which is listed on the Mainboard of the SGX-ST.

## **Tan Soo Khoon Raymond**

*Independent and Non-Executive Director and Lead Independent Director*

Raymond was appointed to the Board on 9 July 2008. He is the Independent and Non-Executive Director and also the Lead Independent Director. Raymond is currently the General Counsel and Executive Director of Liongold Corp, a company listed on the Mainboard of the SGX-ST. Prior to that, he was a partner with a Singapore law firm, Robert Wang and Woo LLP, where he was also the Head of its Corporate and Commercial Department. Raymond has close to 30 years of experience practicing corporate and commercial law and has experience in dealing with numerous aspects of corporate law and regulatory issues for public listed companies, specialising in corporate governance, compliance and finance. He obtained a Bachelor of Law (Honours) degree from the National University of Singapore. Raymond's other directorships in listed entities include: Independent and Non-Executive Director of ISR Capital Limited which is listed on the Mainboard of the SGX-ST, Chairman and Non-Executive Director of Signature Metals Limited and Non-Independent and Non-Executive Director of Citigold Corporation Limited, both companies listed on the Australian Securities Exchange.

## **Goh Hin Calm**

*Independent and Non-Executive Director*

Hin Calm is the Independent and Non-Executive Director and was appointed to the Board on 22 July 2008. He has extensive experience in the areas of accounting and finance for over 35 years in Singapore, Saudi Arabia, Thailand, Indonesia and Papua New Guinea. Hin Calm is currently the senior finance and administration manager of Ipco International Limited, a company listed on the Mainboard of the SGX-ST; and an Independent and Non-Executive Director of ITE Electric Co Ltd, which is listed on the Catalist Board of the SGX-ST.

## **Ong Su Aun Jeffrey**

*Independent and Non-Executive Director*

Jeffrey was appointed to the Board on 9 July 2008 and is the Independent and Non-Executive Director. He 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, England and Wales. Jeffrey is a partner at JLC Advisors LLP. He is also an Independent and Non-Executive Director of CW Group Holdings Limited, a company listed on the Mainboard of the Stock Exchange of Hong Kong.

# KEY MANAGEMENT

## **Mohd Nor Azmi Nordin**

*Managing Director, P. J. Services Pte Ltd and subsidiaries ("P. J. Services Group")*

Azmi holds a Bachelor of Science (Honours) degree in Civil Engineering & Management Studies from the University of Leeds, England and a Master of Business Administration from the University of Strathclyde Graduate Business School, Scotland. He has 30 years of working experience in the oil and gas industry, from project management to sales and marketing. As the Managing Director, Azmi oversees the operations of P. J. Services Group in the ASEAN region, specialising in oil and gas equipment sale for onshore and offshore production platforms, vessels and pipelines, as well as business development.

## **Pek Seck Wei**

*General Manager, Industrial Engineering Systems Pte Ltd ("IES")*

Seck Wei is a co-founder of IES and has extensive 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 customized engineering solutions to oil and gas companies in Singapore and Malaysia. Seck Wei graduated with a Bachelor of Electrical Engineering (Honours) degree from the Nanyang Technological University.

## **Hoon Cheong Kong, Danny**

*Chief Executive Officer, Industrial Power Technology Pte Ltd ("Industrial Power")*

Danny is the founder of Industrial Power and serves as its Chief Executive Officer. He is responsible for Industrial Power's overall operations and business activities. Danny has more than 20 years of experience in the design, supply and installation of custom built boilers and as an engineering, procurement and construction contractor for biomass power generation projects and has accumulated extensive experiences in turn-key biomass power generation projects in South East Asia. Prior to that, he specialized in designing and building of timber drying kilns and had accumulated experiences in South East Asia, the People's Republic of China and Russia. Danny graduated with a Diploma in Mechanical Engineering from the Singapore Polytechnic.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“**Board**”) of Annica Holdings Limited is committed to maintaining a high standard of corporate governance within the Group. The Board recognizes the importance of practising good corporate governance as a fundamental part of its responsibilities to look after and enhance shareholders’ value and the financial performance of the Group.

On 2 May 2012, the Monetary Authority of Singapore (“**MAS**”) issued a revised Code of Corporate Governance (the “**2012 Code**”) that supersedes and replaces the Code of Corporate Governance issued in 2005 (the “**2005 Code**”). Listed companies will be required to disclose in their annual report, corporate governance practices with reference to the 2012 Code with effect from the financial year commencing on or after 1 November 2012.

This Report describes the Company’s corporate governance practices with specific reference to the Code of Corporate Governance issued in 2005 (“**Code**”). Where there are deviations from the Code, appropriate explanations are provided.

## BOARD MATTERS

### Board’s Conduct of its Affairs

#### *Principle 1: Effective Board to lead and control the Company*

The Board oversees the business affairs and dealings of the Group, determines the Group’s corporate strategies and sets directions and goals. It also monitors and evaluates the Group’s operations and financial performance, establishes targets for management and monitors the achievement of these targets. It is responsible for the overall corporate governance compliance of the Group.

The Board has 3 committees namely, the Audit Committee, the Nominating Committee and the Remuneration Committee to assist in the execution of its responsibilities. Each committee has its terms of reference and operating procedures, which are reviewed periodically. Where necessary, the terms of reference and operating procedures would be updated to keep in line with the Listing Manual Section B: Rules of Catalist of the SGX-ST (the “**Catalist Rules**”) and the Code.

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 their decisions and approvals. Ad-hoc meetings will be held when circumstances required. 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 the 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 appointment of key management executives;
- approving annual budgets, major funding proposals and investments and divestment proposals;
- assuming responsibility for corporate governance and compliance with the Companies Act and the rules and requirements of regulatory bodies; and
- assuming responsibility for the satisfactory fulfillment of the corporate social responsibilities of the Group.

# CORPORATE GOVERNANCE STATEMENT

The attendance of the Directors at Board and Committee meetings held during the financial year under review and up to the date of this statement is tabulated below:

## Attendance at Meetings

Name of Director	Committees							
	Board		Audit		Nominating		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Edwin Sugiarto	2	2	2	2 (attended by invitation)	2	2 (attended by invitation)	2	2 (attended by invitation)
Lim Meng Check (resigned on 31 January 2013)	2	2	2	2 (attended by invitation)	2	2 (attended by invitation)	2	2 (attended by invitation)
Tan Soo Khoon Raymond	2	2	2	2	2	2	2	2
Ong Su Aun Jeffrey	2	2	2	2	2	2	2	2
Goh Hin Calm	2	2	2	2	2	2	2	2
Nicholas Jeyaraj s/o Narayanan	2	2	2	2 (attended by invitation)	2	2 (attended by invitation)	2	2 (attended by invitation)

For the financial year ended 31 December 2012, there were no new appointments to the Board.

## Board Composition and Guidance

### *Principle 2: Strong and independent element on the Board*

Currently, the Board comprises one Executive Director, one Non-Independent and Non-Executive Director and three Independent and Non-Executive Directors:

Name of Director	Appointment	Date of Appointment	Audit Committee	Nominating Committee	Remuneration Committee
Edwin Sugiarto	Chairman and Executive Director	24 June 2009	NA	NA	NA
Tan Soo Khoon Raymond	Independent and Non-Executive Director and Lead Independent Director	9 July 2008	Member	Chairman	Member
Ong Su Aun Jeffrey	Independent and Non-Executive Director	9 July 2008	Member	Member	Chairman
Goh Hin Calm	Independent and Non-Executive Director	22 July 2008	Chairman	Member	Member
Nicholas Jeyaraj s/o Narayanan	Non-Independent and Non-Executive Director	10 July 2008	NA	NA	NA

# CORPORATE GOVERNANCE STATEMENT

The Board comprises individuals who are suitably qualified with the necessary mix of expertise, experience and knowledge. Please refer to page 8 of the Annual Report for details of the qualifications and experience of the Directors.

The Board's composition, size, and balance and independence of each Non-Executive Director are reviewed by the Nominating Committee.

The Board comprises Directors who have the right core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively.

The Directors consider the Board's present size and composition appropriate, taking into account the nature and scope of the Group's operations, the skills and knowledge of the Directors.

The Board has sought and obtained written confirmations from each of the Independent and Non-Executive Directors that, apart from their office as Directors of the Company, none of them has any other relationship (business or otherwise) with the Company, its subsidiaries, related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment with a view to the best interests of the Company.

## **Chairman and Chief Executive Officer ("CEO")**

### ***Principle 3: Clear division of responsibilities at the top of the Company***

Edwin Sugiarto is currently the Chairman and Executive Director of the Company.

As the Chairman of the Group, Edwin Sugiarto 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. Edwin Sugiarto is also responsible for ensuring that Board meetings are held as and when necessary, scheduling and preparing agendas and exercising control over the information flow between the Board and Management. He is assisted by the Company Secretary at all Board Meetings and on statutory matters. Where necessary, the Auditors of the Company and other external consultants are invited to attend Board Meetings to assist him and the other Directors in their deliberations.

Since the resignation of Lim Meng Check, the former Chief Executive Officer ("CEO") and Executive Director on 31 January 2013, the Company has not created a separate CEO position as the Board is of the view that the current Board's composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Board is of the view that with the establishment of the three Board committees, these are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

The Board has appointed Tan Soo Khoon Raymond as the Lead Independent Director as an additional contact for employees and shareholders of the Company who have serious concerns that could have a large impact on the Group, which contact through the normal channels has failed to resolve or for which such contact is inappropriate.

# CORPORATE GOVERNANCE STATEMENT

## Board Membership

### *Principle 4: Formal and transparent process for appointment of new directors to the Board*

The Nominating Committee (“**NC**”) comprises three Directors, all of whom are Independent and Non-Executive Directors. The NC shall meet at least once a year.

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 skill, experience and knowledge, business, finance and management skills necessary to the Group’s businesses and each Director, through his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC also has at its disposal, executive search companies, personal contacts and recommendations in its search and nomination process for the right candidates.

The NC is responsible for:

- re-nomination of our Directors 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 representation, is able to and has adequately carried out his duties as Director; and
- making recommendation to the Board on all Board appointments and reappointments including making recommendations on the composition of the Board and the balance between Executive and Non-Executive Directors appointed to the Board.

All Directors shall submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

For the year ended 31 December 2012, the NC met to consider and deliberate on the re-appointments of Directors at the Company’s Annual General Meeting (“**AGM**”).

As provided by the Articles, 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.

Pursuant to Article 104, one-third of the Board shall retire at an AGM, and if desired, the persons retiring may offer themselves for re-election as Directors.

Mr Edwin Sugiarto and Mr Tan Soo Khoo Raymond, both last elected on 30 April 2010, retire via rotation at the conclusion of the forthcoming AGM of the Company. The Board is pleased that Edwin Sugiarto, being eligible, has offered himself for re-election. Tan Soo Khoo Raymond was appointed as an executive director of a SGX-ST listed company on 1 January 2013 and has informed the Board that he shall not seek re-election due to his wish to devote more time to his recent appointment. Notwithstanding Tan Soo Khoo Raymond’s retirement, the Board meets the requirements of the Catalist Rules on Board composition. The Board is currently evaluating potential candidates to augment the Board composition.

# CORPORATE GOVERNANCE STATEMENT

## Board Performance

### *Principle 5: Formal assessment of the effectiveness of the Board and contributions by each Director*

The NC is also responsible for deciding how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.

In assessing the performance of the Directors, the NC evaluates each Director based on the following review parameters, including:

- attendance at Board/Committee meetings;
- participation at meetings;
- ability to carry out his duties;
- involvement in management;
- availability for consultation and advice, when required;
- independence of the Directors; and
- appropriate skill, experience and expertise.

In addition to the above, the NC also evaluates the performance and effectiveness of the Board as a whole, taking into account the Board's balance and mix.

The NC may act on the results of the performance evaluation and where appropriate, propose new members to be appointed to the Board or seek resignation of existing Directors.

## Access to Information

### *Principle 6: Board members to have complete, adequate and timely information*

Directors have unrestricted access to the Company's records and information and all Board and Committee minutes, and receive management accounts so as to enable them to carry out their duties. Directors may also liaise with senior executives and other employees to seek additional information if required.

Detailed board papers and agenda are sent to all the Directors before meetings so that all Directors may better understand the issues beforehand, thus allowing more time at such meetings for questions that the Directors may have.

Should Directors, whether as a group or individually, require professional advice, the Company, upon direction by the Board, shall appoint a professional advisor to render advice. The cost shall be borne by the Company.



# CORPORATE GOVERNANCE STATEMENT

The Company Secretary attends all Board meetings and is responsible to the Board for advising on the implementation of the Group's compliance requirements pursuant to the relevant statutes and regulations. All Directors have separate and independent access to the Company Secretary. The appointment and removal of the Company Secretary is subject to the approval of the Board.

## Procedures for Developing Remuneration Policies

### ***Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors and key management executives***

The Company has established a Remuneration Committee ("**RC**") for determining the remuneration of Directors and key executives of the Company. The RC comprises three Independent and Non-Executive Directors.

The responsibilities of the RC are:

- 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 key executives;
- 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 key management executives' remuneration as required by the Catalist Rules.

No Director is involved in deciding his or her own remuneration.

The remuneration package of the Executive Director is based on a service contract. Independent and Non-Executive Directors are paid yearly Directors' fees of an agreed amount and these fees are subject to shareholders' approval at the AGM.

The RC has the right to engage consultants and seek professional advice internally and externally relating to the review/streamlining of the remuneration structure of all Directors.

## Level and Mix of Remuneration

### ***Principle 8: The level of remuneration for Directors should be adequate, not excessive, and linked to performance***

The remuneration policy of the Group is to provide compensation packages at market rates that reward successful performance and attract, retain and motivate managers and Directors.

The Group's remuneration policy comprises fixed component and variable component. The fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group and individual.

# CORPORATE GOVERNANCE STATEMENT

In setting remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated as compared to the industry and in comparable companies.

## Disclosure on Remuneration

**Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and the procedure for setting remuneration**

Details of the Directors and key executives' remuneration for the financial year ended 31 December 2012 are set out below:

	Directors' Fees %	Base/ Fixed Salary %	Variable or Performance Related Income/ Bonus %	Benefits in Kind %	Stock options and other long-term incentives %	Total %
<b>Name of Director</b>						
<b>S\$499,000 to S\$1,000,000 and above</b>						
None						
<b>S\$250,000 to S\$499,999</b>						
None						
<b>Below S\$250,000</b>						
Edwin Sugiarto	Nil	100	Nil	Nil	Nil	100
Lim Meng Check (resigned on 31 January 2013)	Nil	100	Nil	Nil	Nil	100
Tan Soo Khoo Raymond	100	Nil	Nil	Nil	Nil	100
Jeffrey Ong Su Aun	100	Nil	Nil	Nil	Nil	100
Goh Hin Calm	100	Nil	Nil	Nil	Nil	100
Nicholas Jeyaraj s/o Narayanan	100	Nil	Nil	Nil	Nil	100

# CORPORATE GOVERNANCE STATEMENT

	Base/ Fixed Salary %	Variable of Performance Related Income/ Bonus %	Benefits in Kind %	Stock options and other long-term incentives %	Total %
<b>Name of Key Management Executives</b>					
<b>S\$250,000 to S\$499,999</b>					
None					
<b>Below S\$250,000</b>					
Mohd Nor Azmi Nordin <i>(Managing Director, P.J. Services Pte Ltd and subsidiaries)</i>	85	15	Nil	Nil	100
Peck Seck Wai <i>(General Manager, Industrial Engineering Systems Pte Ltd)</i>	59	41	Nil	Nil	100
Hoon Cheong Kong, Danny* <i>(Chief Executive Officer, Industrial PowerTechnology Pte Ltd)</i>	NA	NA	NA	NA	NA

Note:

\* Mr Hoon Cheong Kong, Danny recently joined the Group and is an officer by virtue of the Group's acquisition of Industrial Power Technology Pte Ltd on 28 December 2012. His remuneration has no impact on the consolidated income statement of the Group for the financial year ended 31 December 2012.

For the year ended 31 December 2012, the RC has recommended that each of the current Non-Executive Directors be paid the sum of S\$18,000 as Director's fees, which will be tabled at the AGM for approval by the shareholders. If approved, payment would be made after the AGM. The sum was arrived at after taking into consideration the contributions, time and efforts of the current Non-Executive Directors.

The Board is of the opinion that owing to the nature of the industries that the Group is engaged in, the details of remuneration for individual Directors and key executives are confidential. Such details, if disclosed, would also attract unwanted attention from competitors who may use the information to the detriment of the Company. The disclosure of such information would not be in the interest of the Company.

There is no employee who is related to a Director whose remuneration exceeds S\$250,000 in the Group's employment for the financial year ended 31 December 2012. There is also no employee who is an immediate family member of any Director or of any key management executive whose remuneration exceeds S\$150,000 for the financial year ended 31 December 2012.

At an Extraordinary General Meeting of the Company held on 31 October 2001, shareholders approved the Annica Holdings Limited (formerly known as Oculus Limited) Share Option Scheme ("**Scheme**") for granting of non-transferrable options to full-time employees, Executive Directors and Non-Executive Directors of the Company and its subsidiaries ("**Participants**").

The Scheme is an effective mechanism to compensating the Participants for their good work and dedication. Rather than compensating the Participants in cash, which would draw on the resources of the Group, the Scheme not only allows the Company to reward the Participants when such reward is due but also allows the Participants to participate in the growth of the Company.

# CORPORATE GOVERNANCE STATEMENT

Under the Scheme, the Company may grant options to eligible employees and Directors of the Company and its subsidiaries to subscribe for ordinary shares in the Company provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company from time to time.

The Scheme does not extend to a person who is a controlling shareholder of the Company or who is an associate of a controlling shareholder.

Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company at the exercise price comprised in the option. The number of shares offered to the eligible person depends on the performance and contribution of the eligible person to the success and development of the Company and/or the Group. The exercise price shall be determined by the RC at its absolute discretion as follows:

- (i) a price which is equivalent to the average of the last dealt prices of the Company's shares on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") over the three consecutive market days immediately preceding the date of the letter of offer to subscribe for the share options (the "**Market Price**"); or
- (ii) a price which is set at a discount to the Market Price so long as the maximum discount shall not exceed 20% of the Market Price in respect of that option.

The subscription price may not be less than S\$1.00.

The consideration for the grant of an option is S\$1.00. Options granted shall be exercisable during the relevant option period commencing after the second anniversary of the date of grant (when the subscription price is at a discount to the Market Price) or after the first anniversary date of the grant (when the subscription price is S\$1.00) and before the expiry of either the tenth anniversary (for employees of the Group) or fifth anniversary (for non-employees of the Group) of the relevant date of grant. Options granted will lapse when the option holder ceases to be a full-time director/employee of the Company and/or the Group.

The Scheme is administered by the RC comprising Ong Su Aun Jeffrey (Chairman), Tan Soo Khoon Raymond and Goh Hin Calm.

During the financial year ended 31 December 2012, no option to take up unissued shares of the Company or of any corporation in the Group was granted to the employees, directors, controlling shareholders of the Company or their associates.

## **Accountability**

### ***Principle 10: Board should present a balanced and understandable assessment of the Company's performance, position and prospects***

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Management will provide the Board with detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

The Management also presents to the Board the half year and full year accounts and the Audit Committee reports to the Board on the results for review and approval. The Board approves the results after review and authorises the release of the results to the SGX-ST and the public via SGXNET.

# CORPORATE GOVERNANCE STATEMENT

## Audit Committee

### ***Principle 11: Establishment of Audit Committee with written terms of reference***

The Audit Committee (“AC”) consists of three Directors, all of whom are Independent and Non-Executive Directors. The AC has specific terms of reference.

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, management of financial and control risks, and monitoring of the internal control systems.

The responsibilities of the AC are:

- reviews the audit plans of the external auditors and ensure the adequacy of the Group’s system of accounting controls and the co-operation given by the management to the external auditors;
- reviews the financial statements of the Group before their submission to the Board, and before their announcement;
- reviews 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;
- reviews the cost effectiveness and the independence and objectivity of the external auditors;
- reviews the nature and extent of non-audit services provided by the external auditors;
- reviews the assistance given by the Group’s officer to the auditors;
- nominates external auditors for re-appointment;
- reviews the Group’s compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time;
- reviews interested person transactions in accordance with the requirements of the Catalist Rules; and
- reviews the adequacy of the Group’s internal controls.

The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities and they have the requisite accounting or related financial management expertise or experience, as the Board exercise in its business judgment.

The AC has power to conduct or authorize investigations into any matters within the AC’s scope of responsibility.

For the year ended 31 December 2012, the AC has reviewed all non-audit services provided by the external auditors and confirmed that these non-audit services would not affect the independence and objectivity of the external auditors. The breakdown of the fees paid for audit and non-audit services is disclosed under the notes to the financial statements under the section on Financial Statements in the Annual Report. The AC recommends to the Board the reappointment of LTC LLP as the external auditors of the Company at the forthcoming Annual General Meeting.

# CORPORATE GOVERNANCE STATEMENT

The Company confirms that it has complied with Rule 712 and 716 of Catalist Rules in relation to the appointment of its external auditors.

For the financial year ended 31 December 2012, the AC has also reviewed the following transactions related to a Director:

- Robert Wang and Woo LLP, where Tan Soo Khoon Raymond was a partner where he was also the Head of its Corporate and Commercial Department, had billed the Company a total of S\$31,306 for legal services rendered and professional services rendered.
- JLC Advisors LLP, where Ong Su Aun Jeffrey is an equity partner, had billed the Company a total of S\$6,088 for professional services rendered.

The Group has implemented a whistle blowing policy. The policy aims to provide avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimisation for whistle blowing in good faith. Cases that are significant are reviewed by the AC for adequacy and independence of investigation actions and resolutions.

## Internal Controls

### *Principle 12: Sound system of internal controls*

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.

The controls in place include:

- regular submissions, either on a monthly or quarterly basis, by the operating business units of updated financial information, and if necessary, follow-up meetings with the management of the business units on any irregular or extraordinary expenses;
- regular submissions, either on a monthly or quarterly basis, by the operating business units of operating milestones, and if necessary, follow-up meetings with the management of the business units on any milestones not achieved; and
- semi-annual meetings with the external auditors to review the financial statements of the operating business units and of the Group as a whole.

During the financial year ended 31 December 2012, the Group's external auditor has conducted annual review of the effectiveness of the Group's internal controls. Any non-compliance and recommendations for improvements were reported to the AC.

Based on external auditors' report and various controls implemented by the management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, including financial, operational and compliance controls, and risk management systems, are adequate in meeting the needs of the Group in its current business environment.

# CORPORATE GOVERNANCE STATEMENT

## Internal Audit

### ***Principle 13: Setting up independent internal audit function***

The Board recognises its responsibilities for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's assets and business.

Currently, the Chairman of the AC enquires and relies on reports from the Management and external auditor on any material non-compliance and internal control weaknesses. The AC oversees and monitors the implementation of any improvements thereto. The AC has reviewed with the external auditor its findings of the existence and adequacy of material accounting controls procedures as part of its audit for the financial year ended 31 December 2012. The AC is of the view that the works carried out by the external auditor are adequate.

The Company has yet to establish an internal audit function. The Board intends to do so as soon as practicable.

## Communication with Shareholders

### ***Principle 14: Regular, effective and fair communication with shareholders***

### ***Principle 15: Shareholders' participation at AGM***

The Company believes that prompt disclosure of relevant information and a high standard of disclosure are the keys to raising the level of corporate governance. The Board believes in regular and timely communication with our shareholders. In line with continuous disclosure obligations of the Company pursuant to the Corporate Disclosure Policy of the SGX-ST, the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Company.

Information is communicated to our shareholders on a timely basis and made through:

- Annual Reports

The Board makes every effort to ensure that the Annual Report includes all relevant information about the Group, including future developments, disclosures required by the Companies Act, and Financial Reporting Standards;

- SGXNET and news releases;
- press releases on major developments of the Group; and
- disclosures to the SGX-ST.

The AGM is the principal forum for dialogue with the Shareholders. The Company encourages the Shareholders to attend the AGM to ensure a high level of accountability and to be kept informed of the Group's strategy and goals.

In general, separate resolutions are proposed for substantially separate issue and for items of special business. Where appropriate an explanation for proposed resolution would be provided.

The Board welcomes questions and views of Shareholders on matters affecting the Company raised either informally or formally before or at the AGM.

# CORPORATE GOVERNANCE STATEMENT

## Internal Code on Dealings in Securities

In compliance with the Listing Rules on Dealings in Securities, the Group has put in place an internal code on the restrictions or prohibitions on dealings with listed securities and the implications on insider trading, which has been issued to all Directors, officers and employees.

The internal code prohibits the dealing in securities of the Company by Directors, officers and employees by virtue of their status as directors, officers and/or employees:

- in the period commencing one month before the public announcement of the half yearly and annual 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.

Directors are required to report securities dealings to the Company Secretary who will assist to make the necessary announcements. The Directors and officers are also directed to refrain from dealing in listed securities of the Company on short-term considerations.

In addition, Directors, officers and employees are reminded to observe insider trading laws at all times.

## Risk Management

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

Presently, the risk management policies and processes in place are highlighted in Note 31 to the Financial Statements.

## Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on 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.

For the period under review, there were no interested person transactions that exceeded the stipulated thresholds as set out in Chapter 9 of the Catalyst Rules. The aggregate value of such interested person transactions also did not exceed such stipulated thresholds.

## Corporate Social Responsibility

The Board believes that effective corporate social responsibility can deliver benefits to the Group's businesses and, in turn, to the 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.



# CORPORATE GOVERNANCE STATEMENT

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.

## Dividend

In line with the Group's policy of strengthening its financial position, the Board is not recommending for any dividend distribution to the Shareholders for the financial year ended 31 December 2012.

## Material Contracts

There is no material contract or loan by the Company or its subsidiary companies 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 previous financial year.

## Utilisation of Proceeds

### Placement Shares Net Proceeds

On 24 April 2012, the Company issued 210,000,000 new ordinary shares ("**Placement Shares**") by way of a private placement at an issue price of S\$0.019 per Placement Share to seven (7) individuals. The Placement Shares were listed and quoted for trading on 26 April 2012. The net proceeds from the Placement Shares were \$3.96 million after share issue expenses ("**Placement Shares Net Proceeds**") after share issue expenses which had been fully utilised and applied towards part settlement of the purchase consideration in connection with the Company's acquisition of 60% of the entire issued share capital of Industrial Power Technology Pte Ltd. Please refer to the Company's announcements dated 9, 18 and 24 April 2012 and 28 December 2012 in relation to the Placement Shares.

### Rights Shares Net Proceeds

On 15 January 2013, the Company completed a renounceable non-underwritten rights issue of 656,139,662 new ordinary shares ("**Rights Issue Exercise**") in the capital of the Company (each a "**Rights Share**", collectively the "**Rights Shares**") at an issue price of S\$0.015 for each Right Share (the "**Issue Price**"), on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company (the "**Shares**"). The Rights Shares were fully subscribed and listed and quoted for trading on 16 January 2013. The net proceeds from the Rights Shares of approximately \$9.84 million after share issue expenses ("**Rights Shares Net Proceeds**") are ear-marked to fund the operations of the Company's subsidiaries and for general working capital purposes. The Company will make periodic announcements on the utilisation of the Rights Shares Net Proceeds as and when they are materially disbursed and provide a status report on their use. Pending its deployment, the Rights Shares Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. Please refer to the Company's Offer Information Statement dated 19 December 2012 and the Company's announcements dated 28 September 2012, 15 November 2012, 7, 11, 19 December 2012 and 11 and 15 January 2013 in relation to the Rights Issue Exercise.

## Non-Sponsor fees

In compliance with Rule 1204(21) of the Catalist Rules, non-sponsor fees paid to the Company's sponsor, Stamford Corporate Services Pte Ltd, during the financial year ended 31 December 2012 amounted to S\$5,000.

# DIRECTORS' REPORT

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012.

## 1 DIRECTORS

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

Mr Edwin Sugiarto  
Mr Nicholas Jeyaraj s/o Narayanan  
Mr Goh Hin Calm  
Mr Ong Su Aun Jeffrey  
Mr Tan Soo Khoo Raymond

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

## 3 DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year, had any interest in the shares or debentures of the Company or its related corporations except as follows:

Name of directors and companies in which interests are held	Number of ordinary shares					
	Direct			Deemed		
	At beginning of year	At end of year	At 21 January 2013	At beginning of year	At end of year	At 21 January 2013
<u>The Company</u>						
Mr Edwin Sugiarto	–	54,134,900	108,269,800	54,134,900*	–	–

\* Mr Edwin Sugiarto's deemed interest at the beginning of year was by virtue of his interest in Advance Assets Management Limited.

## 4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements.

# DIRECTORS' REPORT

For the financial year ended 31 December 2012

## 5 OPTIONS GRANTED

During the financial year, there were no options granted to any person to take up unissued shares in the Company.

## 6 OPTIONS EXERCISED

During the financial year, there were no ordinary shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

## 7 OPTIONS OUTSTANDING

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

## 8 AUDIT COMMITTEE

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

## 9 INDEPENDENT AUDITOR

The independent auditor, LTC LLP, has expressed its willingness to accept re-appointment.

## 10 SUBSEQUENT DEVELOPMENT

There is no significant development subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 27 February 2013, which would materially affect the Group's and the Company's operating and financial performance as of this report date.

On behalf of the directors

Edwin Sugiarto  
Director

Nicholas Jeyaraj s/o Narayanan  
Director

Singapore, 9 April 2013

# STATEMENT BY DIRECTORS

For the financial year ended 31 December 2012

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 29 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Edwin Sugiarto  
Director

Nicholas Jeyaraj s/o Narayanan  
Director

Singapore, 9 April 2013

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANNICA HOLDINGS LIMITED

For the financial year ended 31 December 2012

## ***Report on the Financial Statements***

We have audited the accompanying financial statements of Annica Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 89, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2012, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANNICA HOLDINGS LIMITED

For the financial year ended 31 December 2012

(Cont'd)

## *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

## ***Report on other Legal and Regulatory Requirements***

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

## **LTC LLP**

*Public Accountants and*

*Certified Public Accountants*

Singapore, 9 April 2013

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group		Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	4	4,183	959	83	29
Fixed deposits	5	483	409	–	–
Trade and other receivables	6A	7,331	5,015	249	249
Other current assets	6B	950	78	5,313	7,035
Inventories	7	1,333	1,866	–	–
Financial assets, at fair value through profit or loss	8	8,636	4,821	8,636	4,821
		<b>22,916</b>	<b>13,148</b>	<b>14,281</b>	<b>12,134</b>
<b>Non-current assets:</b>					
Investment in a joint venture	9	–	–	–	–
Investments in subsidiaries	10	–	–	15,238	10,418
Investments in associated companies	11	31	–	–	–
Available-for-sale financial assets	12	6,864	6,942	–	–
Plant and equipment	13	665	223	66	107
Deferred income tax assets	14	12	14	–	–
Trade receivables	6A	122	127	–	–
Goodwill arising on consolidation	15	11,032	4,968	–	–
		<b>18,726</b>	<b>12,274</b>	<b>15,304</b>	<b>10,525</b>
<b>Total assets</b>		<b>41,642</b>	<b>25,422</b>	<b>29,585</b>	<b>22,659</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Trade and other payables	16	8,619	3,769	1,204	1,148
Borrowings	17	488	1,963	–	26
Current income tax liabilities		377	450	–	–
		<b>9,484</b>	<b>6,182</b>	<b>1,204</b>	<b>1,174</b>
<b>Non-current liabilities:</b>					
Borrowings	17	219	33	–	33
<b>Total liabilities</b>		<b>9,703</b>	<b>6,215</b>	<b>1,204</b>	<b>1,207</b>
<b>Net assets</b>		<b>31,939</b>	<b>19,207</b>	<b>28,381</b>	<b>21,452</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	18	44,659	40,694	44,659	40,694
Accumulated losses		(16,803)	(20,512)	(16,278)	(19,242)
Other reserves	19	2,465	(1,497)	–	–
		<b>30,321</b>	<b>18,685</b>	<b>28,381</b>	<b>21,452</b>
<b>Non-controlling interests</b>		<b>1,618</b>	<b>522</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>31,939</b>	<b>19,207</b>	<b>28,381</b>	<b>21,452</b>

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

		Group	
	Note	2012 \$'000	2011 \$'000
<b>Revenue</b>	20	16,958	10,203
Cost of sales		(14,292)	(8,037)
Gross profit		2,666	2,166
Other income	21	7,451	826
Selling and distribution expenses		(310)	(242)
Administrative and general expenses		(3,430)	(2,970)
Other expenses	22	(2,499)	(1,843)
Finance costs	23	(37)	(19)
<b>Profit/(loss) before income tax</b>	24	3,841	(2,082)
Income tax expense	25	(15)	(76)
<b>Net profit/(loss)</b>		3,826	(2,158)
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising from consolidation		(61)	–#
Fair value gains on available-for-sale financial assets	19	4,712	263
Reclassification adjustment on disposal of available-for-sale financial assets	19	(689)	30
<b>Other comprehensive income, net of tax</b>		3,962	293
<b>Total comprehensive income/(loss)</b>		7,788	(1,865)
<b>Net profit/(loss) attributable to:</b>			
Equity holders of the Company		3,709	(2,073)
Non-controlling interests		117	(85)
		3,826	(2,158)
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		7,671	(1,780)
Non-controlling interests		117	(85)
		7,788	(1,865)
<b>Earning/(loss) per share attributable to equity holders of the Company</b>			
– Basic and diluted (in cents)	26	0.63	(0.47)

# Amount is less than \$1,000.

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	← Attributable to equity holders of the Company →					Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Capital reserve \$'000	Translation reserve \$'000	Fair value reserve \$'000	Accumulated losses \$'000			
<b>Group</b>								
Balance as at 1 January 2012	40,694	(1,389)	(27)	(81)	(20,512)	18,685	522	19,207
Shares issued during the financial year	3,990	–	–	–	–	3,990	–	3,990
Share issue expenses	(25)	–	–	–	–	(25)	–	(25)
Acquisition of non-controlling interest	–	–	–	–	–	–	979	979
Total comprehensive income/ (loss) for the financial year	–	–	(61)	4,023	3,709	7,671	117	7,788
<b>Balance as at 31 December 2012</b>	<b>44,659</b>	<b>(1,389)</b>	<b>(88)</b>	<b>3,942</b>	<b>(16,803)</b>	<b>30,321</b>	<b>1,618</b>	<b>31,939</b>
Balance as at 1 January 2011	40,194	–	(27)	(374)	(18,439)	21,354	818	22,172
Shares issued during the financial year	500	–	–	–	–	500	–	500
Acquisition of non-controlling interests without a change in control	–	(1,389)	–	–	–	(1,389)	(211)	(1,600)
Total comprehensive income/ (loss) for the financial year	–	–	–	293	(2,073)	(1,780)	(85)	(1,865)
<b>Balance as at 31 December 2011</b>	<b>40,694</b>	<b>(1,389)</b>	<b>(27)</b>	<b>(81)</b>	<b>(20,512)</b>	<b>18,685</b>	<b>522</b>	<b>19,207</b>

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

	Group	
	2012	2011
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
<b>Net profit/(loss) for the financial year</b>	<b>3,826</b>	<b>(2,158)</b>
Adjustments for:		
Income tax expense	15	76
Depreciation charge on plant and equipment	80	75
Interest expense	37	19
Interest income	(11)	(52)
Gain on disposal of financial assets at fair value through profit or loss	(1,076)	(105)
Fair value gains on financial assets at fair value through profit or loss	(4,203)	(259)
(Gain)/loss on disposal of available-for-sale financial assets	(1,790)	26
Impairment loss on investment in available-for-sale financial assets	–	400
Impairment loss on goodwill arising from acquisition of a subsidiary	2,468	–
Impairment loss on amount due from a joint venture	–	1,186
(Gain)/loss on discounting of long-term trade receivables	(26)	39
	<b>(680)</b>	<b>(753)</b>
Changes in working capital:		
Financial assets, at fair value through profit or loss	(1,332)	(814)
Trade and other receivables and other current assets	1,705	(180)
Inventories	533	(247)
Trade and other payables	(322)	(1,601)
Cash used in operations	(96)	(3,595)
Income tax paid	(85)	(63)
<b>Net cash used in operating activities</b>	<b>(181)</b>	<b>(3,658)</b>
<b>Cash flows from investing activities:</b>		
Receipt of interest	11	3
Purchases of available-for-sale financial assets	(1,559)	(1,659)
Proceeds from disposal of available-for-sale financial assets	207	1,365
Purchases of plant and equipment	(20)	(120)
<b>Net cash used in investing activities</b>	<b>(1,361)</b>	<b>(411)</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

	Group	
	2012	2011
	\$'000	\$'000
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of placement shares	3,990	–
Share issue expenses	(25)	–
(Decrease)/increase in trust receipts, net	(1,503)	1,167
Proceeds from repayment of loan from a related party	–	42
Advance from related parties	76	50
Increase in fixed deposit pledged as security for banking facilities	(74)	(3)
Repayment of finance leases	(67)	(26)
Interest paid	(37)	(19)
<b>Net cash generated from financing activities</b>	<b>2,360</b>	<b>1,211</b>
<b>Effects of foreign currency translation on cash and cash equivalents</b>	<b>(61)</b>	<b>–<sup>#</sup></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>757</b>	<b>(2,858)</b>
Cash inflow from acquisition of a subsidiary (Note 10)	2,467	–
Cash and cash equivalents at beginning of the financial year	959	3,817
<b>Cash and cash equivalents at end of the financial year</b>	<b>4,183</b>	<b>959</b>

<sup>#</sup> Amount is less than \$1,000.

## OTHER MAJOR NON-CASH TRANSACTIONS:

During the financial year ended 31 December 2012, the Group acquired a motor vehicle with an aggregate cost of approximately \$47,000, of which \$33,000 was acquired by means of a finance lease agreement. Cash payment of approximately \$14,000 was made to acquire the motor vehicle.

During the financial year ended 31 December 2011, the buy and sell back agreement between a third party and a subsidiary included in trade and other receivables as at 31 December 2010 which amounted to approximately \$4,238,000 was fully settled by way of the third party transferring available-for-sale financial assets to the subsidiary.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

## 1 GENERAL INFORMATION

The Company (Registration No. 198304025N) is incorporated and domiciled in Singapore. The address of its registered office is at 9 Temasek Boulevard, #41-01 Suntec Tower Two, Singapore 038989.

The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The consolidated financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at that date were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). 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 management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### *Interpretations and amendments to published standards effective in 2012*

On 1 January 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial year.

### 2.2 Revenue recognition

Revenue comprises the fair value of the 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.2 Revenue recognition (Cont'd)

The Group recognises revenue when the amount of revenue and related cost 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:

- (a) **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.
- (b) **Government grants**  
Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other operating income.
- (c) **Interest income**  
Interest income is recognised using the effective interest method.
- (d) **Construction revenue**  
Please refer to the paragraph "Construction contracts" for the accounting policy for revenue from construction contracts.

### 2.3 Group accounting

- (a) **Subsidiaries**
  - (i) **Consolidation**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Group accounting (Cont'd)

#### (a) Subsidiaries (Cont'd)

##### (i) Consolidation (Cont'd)

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

##### (ii) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Group accounting (Cont'd)

#### (a) Subsidiaries (Cont'd)

##### (iii) Disposals of subsidiaries or businesses

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

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies and a joint venture" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

#### (b) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

##### (i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

##### (ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Group accounting (Cont'd)

(b) Associated companies (Cont'd)

(ii) Equity method of accounting (Cont'd)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies and a joint venture" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

(c) Transactions with non-controlling interests

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

(d) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.3 Group accounting (Cont'd)

#### (d) Joint ventures (Cont'd)

When the Group sells assets to a joint venture, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other venturers. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies and a joint venture" for the accounting policy on investment in joint ventures in the separate financial statements of the Company.

### 2.4 Plant and equipment

#### (a) Measurement

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of 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. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of plant and equipment if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during that year.

#### (b) Depreciation

Depreciation of plant and equipment is calculated using the straight-line method, to allocate their depreciable amounts over their estimated useful lives as follows:

Fixtures and fittings	3 to 10 years
Plant and equipment	3 to 5 years
Motor vehicles	4 to 10 years

The residual values, estimated useful lives and depreciation method of 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 plant and equipment still in use are retained in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.4 Plant and equipment (Cont'd)

(c) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

### 2.5 Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries prior to 1 January 2010 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired.

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

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2010. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

### 2.6 Construction contracts

When the outcome of the construction contract can be estimated reliably, contract revenue and costs are recognised in profit or loss in proportion to the stage of completion of the contract. When the outcome of the 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 and claims, to the extent that it is probable that those additions will result in revenue and can be measured reliably. 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 information when the loss is foreseeable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.6 Construction contracts (Cont'd)

Provision for liquidated damages for late completion of projects are 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 balance sheet date, the aggregated costs incurred with the addition of recognised profit (less recognised loss) on each contract is compared against the progress billings. Where such costs exceed the progress billings amount, the balance is presented as due from customers on construction contracts within 'trade and other receivables'. Where the progress billings amount exceed 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 which are not paid by customers and retentions are classified as 'trade and other receivables', whereas advances received are classified as 'trade and other payables'.

### 2.7 Investments in subsidiaries, associated companies and a joint venture

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

### 2.8 Impairment of non-financial assets

#### (a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as expense and is not reversed in subsequent period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.8 Impairment of non-financial assets (Cont'd)

- (b) Plant and equipment  
Investments in subsidiaries, associated companies and a joint venture

Plant and equipment and investments in subsidiaries, associated companies and a joint venture are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

### 2.9 Financial assets

- (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on 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.

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

The Group categorises its financial assets at fair value through profit or loss as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short-term. Assets in this category are presented 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 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.9 Financial assets (Cont'd)

(a) 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" and "cash and cash equivalents" 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.

(b) Recognition and derecognition

Regular way 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 sale proceeds and its carrying amount is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) 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.

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss, are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.9 Financial assets (Cont'd)

(d) Subsequent measurement (Cont'd)

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accounted in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at the end of the each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the 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.

The impairment allowance account is reduced through the profit or loss in subsequent year when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior years.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.9 (e) (i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income 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 previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.10 Borrowings – Trust receipts

Trust receipts are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost using the effective interest method.

### 2.11 Trade and other payables

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

### 2.12 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities) are based on quoted market prices at the end of the reporting period. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

### 2.13 Leases

The Group leases certain plant and equipment from third parties.

#### (a) Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.13 Leases (Cont'd)

#### (b) Operating leases

Leases where substantially all 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 lessors) are recognised in profit or loss on a straight-line basis over the year of the lease.

When the operating lease is terminated before the lease year expires, any payment made by the Group as penalty is recognised as an expense when termination takes place.

### 2.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of inventories includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

### 2.15 Income taxes

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (b) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.15 Income taxes (Cont'd)

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

### 2.16 Provisions

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.

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.

### 2.17 Employee compensation

#### (a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

#### (b) Short-term compensated absences

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.

### 2.18 Currency translation

#### (a) Functional and presentation currency

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.18 Currency translation (Cont'd)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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.

(c) 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 presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (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 currency translation differences are recognised in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

### 2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

### 2.21 Share capital

Ordinary shares are classified as equity.

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

### 2.22 Dividends to Company's shareholders

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

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

### (a) Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimates and assumptions at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

#### Impairment of goodwill arising on consolidation

The Group performs an annual review of the carrying value of goodwill, against the recoverable amount of the cash-generating unit ("CGU") to which the goodwill is allocated. The recoverable amount of CGU is determined based on the present value of estimated future cash flows expected to arise from the respective CGU. Management exercises judgement in estimating the future cash flows, growth rates and discount rates used in computing the recoverable amount of the CGU. The carrying amount of goodwill as at 31 December 2012 was \$11,032,000 (2011: \$4,968,000).

An impairment charge of \$2,468,000 arose in the Industrial Engineering Systems Pte. Ltd ("IES"), CGU during the financial year ended 31 December 2012, which reduced the carrying amount of goodwill allocated to IES CGU from \$4,968,000 to \$2,500,000. If the management's estimated gross margin used in the value-in-use calculation for this CGU as at 31 December 2012 had been lowered by 10%, the Group would have further reduced the carrying amount of goodwill to \$1,629,000, by \$871,000, and in addition, the Company would have reduced the carrying value of investment in this CGU, amounting to \$3,907,000, by \$871,000.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the IES CGU at 31 December 2012 had been raised by 1%, the carrying amounts of goodwill and investment in this CGU would have been reduced by \$2,669,000 and \$3,950,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Cont'd)

### (a) Critical accounting estimates and assumptions (Cont'd)

#### Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the surveys of work performed. Contract costs are usually recognised as an expense in the income statement in the accounting periods in which the work to which they relate is performed.

Significant assumptions are required to estimate the surveys of work performed that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience, knowledge of the directors and the work of specialists.

As at 31 December 2012, the management does not compute any provision for foreseeable losses on the projects.

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

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

#### 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 \$449,000 (2011: \$541,000) had been provided for. The carrying amount of trade and other receivables as at 31 December 2012 was approximately \$7,453,000 (2011: \$5,142,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Cont'd)

(b) Critical judgements in applying the entity's accounting policies (Cont'd)

### Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 in determining whether impairment of available-for-sale investments is other than temporary, which requires significant judgement. The Group evaluates, among others, the duration and extent to which the present value of estimated future cash flows discounted at the current market rate of return is less than its carrying amount; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow. As at 31 December 2012, the Group has recognised full impairment loss of Nil (2011: \$4,800,000) towards unquoted equity securities. The carrying amount of available-for-sale financial assets as at 31 December 2012 was \$6,864,000 (2011: \$6,942,000).

## 4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank and on hand	4,183	959	83	29

## 5 FIXED DEPOSITS

The fixed deposits are pledged to banks as securities for banking facilities (Note 17). The fixed deposits have maturity periods ranging from 1 to 5 months (2011: 1 to 5 months) from the end of the financial period with interest rates ranging from 0.01% to 3.05% (2011: 0.11% to 0.35%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 6A TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current:				
Trade receivables:				
Non-related parties	6,445	5,125	–	–
Less: allowance for impairment	(449)	(541)	–	–
	5,996	4,584	–	–
Loan to a joint venture	–	975	–	1,950
Accrued interest receivable from a joint venture	–	189	–	378
Other amount due from a joint venture	–	22	–	34
	–	1,186	–	2,362
Less: allowance for impairment	–	(1,186)	–	(2,362)
	–	–	–	–
Other receivables:				
– Subsidiaries				
– Management fee receivable (Note 30)	–	–	248	248
– Non-related parties	600	143	1	1
	600	143	249	249
Loan to a third party	735	288	–	–
	7,331	5,015	249	249
Non-current:				
Trade receivables:				
Non-related party	122	127	–	–
	7,453	5,142	249	249

The movement in the allowance for impairment of current trade receivables is as follows:

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At beginning of financial year	541	555	–	–
Written off during the financial year	(4)	(14)	–	–
Recovered during the financial year	(88)	–	–	–
At end of financial year	449	541	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 6A TRADE AND OTHER RECEIVABLES (Cont'd)

The movement in the allowance for impairment of amount due from a joint venture is as follows:

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At beginning of financial year	1,186	–	2,362	1,115
Charge during the financial year	–	1,186	8	1,247
Written off during the financial year	(1,186)	–	(2,370)	–
At end of financial year	–	1,186	–	2,362

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

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At beginning of financial year	–	72	–	–
Reversal of allowance no longer required	–	(72)	–	–
At end of financial year	–	–	–	–

### 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

Included in other receivables of the Group is withholding tax paid to Inland Revenue Board of Malaysia ("IRB") amounting to \$399,000, acquired as a result of the acquisition of Industrial Power Technology Pte Ltd (Notes 10 and 27). The withholding tax arose in relation to the construction service for a plant located in Malaysia which will only be finalised by IRB at end of this project; and is subject to compliance with the tax regulations and agreement with the Section 107A Income Tax Act 1967.

### Loan to a joint venture

The loan to a joint venture, which had been fully impaired in 2011, has been written off during the financial year ended 31 December 2012 as the joint venture, Aretae EcoVentures Pte Ltd ("JVC"), has been dissolved and the joint venture partner to the JVC, being Aretae Private Ltd ("APL"), which has undertaken to repay the loan should the JVC fail to repay, is in the process of being wound up by the Company. The loan of \$1,186,000 represents aggregate of 50% of the final loan, 50% of the interest on the same loan and 50% of expenses paid on behalf of the JVC by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 6A TRADE AND OTHER RECEIVABLES (Cont'd)

### Loan to a third party

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

### Fair value of non-current trade receivable

The discounted value of non-current trade receivable amounting to \$122,000 (2011: \$127,000) is computed based on cash flows discounted at market borrowing rate of 5.5% (2011: 6%).

## 6B OTHER CURRENT ASSETS

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Other current assets:				
Advances to subsidiaries	–	–	5,132	10,835
Less: Allowance for impairment	–	–	–	(3,807)
	–	–	5,132	7,028
Deposits	768	65	–	–
Prepayments	182	13	181	7
	950	78	5,313	7,035

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

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At beginning of financial year	–	–	3,807	3,795
Reversal of allowance no longer required	–	–	(3,807)	–
Charge during the financial year	–	–	–	12
At end of financial year	–	–	–	3,807

### Advances to subsidiaries

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

### Deposits

As a result of the acquisition of Industrial Power Technology Pte Ltd (“Industrial Power”) (Notes 10 and 27), included in deposits are (i) \$400,000 which is paid to an insurance company for guarantee provided to a bank in relation to the banking facilities granted to Industrial Power and (ii) \$155,000 paid to an insurance company for the performance guarantee issued by Industrial Power to a project owner.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 7 INVENTORIES

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Finished goods	510	1,097	–	–
Goods-in-transit	823	769	–	–
	<u>1,333</u>	<u>1,866</u>	<u>–</u>	<u>–</u>

The cost of inventories recognised as an expense and included in “cost of sales” amounted to approximately \$14,292,000 (2011: \$8,037,000).

## 8 FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Held for trading:				
– Listed equity securities in Singapore				
Exchange	8,636	4,821	8,636	4,821

## 9 INVESTMENT IN A JOINT VENTURE

The investment related to the Company’s 50% equity interest at a cost of \$1 in Aretae EcoVentures Pte Ltd (“Aretae EcoVentures”), which had been dissolved on 21 December 2012. Aretae Ecoventures, a company incorporated in Singapore, was principally in the business of advising on, managing and running waste-handling & disposal and renewable energy and sustainable development projects. The cost of investment was fully impaired in 2011.

Aretae EcoVentures was accounted for as a joint venture of the Company as the appointment of its directors and allocation of voting rights for key business decisions require the unanimous approval of its venturers.

The following amounts represented the Group’s 50% share of the assets and liabilities and income and expenses of the joint venture that were included in the consolidated statement of financial position as at 31 December 2011 and statement of comprehensive income during the financial year ended on that date, using the line-by-line format of proportionate consolidation:

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 9 INVESTMENT IN A JOINT VENTURE (Cont'd)

	<b>Group 2011 \$'000</b>
Assets:	
Non-current assets	–
Current assets	1
	<u>1</u>
Liabilities:	
Current liabilities	(1,190)
Net assets/(liabilities)	<u>(1,189)</u>
Revenue	–
Expenses	(53)
Loss before income tax	(53)
Income tax expense	–
Loss after income tax	<u>(53)</u>
Capital commitments in relation to interest in joint venture	<u>–</u>
Proportionate interest in joint venture's commitments	<u>–</u>

## 10 INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Unquoted equity shares, at cost		
At beginning of year	10,418	8,618
Acquisitions during the year	10,000	1,800
At end of year	<u>20,418</u>	<u>10,418</u>
Less: Impairment loss	(5,180)	–
	<u>15,238</u>	<u>10,418</u>

The movement in the allowance for impairment loss is as follows:

	<b>Company</b>	
	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Charge during the financial year and as at end of year	<u>5,180</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 10 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Impairment testing for investments in subsidiaries

During the financial year, the management performed an impairment test for the Company's investments in subsidiaries. An impairment loss of \$5,180,000 (2011: Nil) was recognized to write down the investments in subsidiaries to their recoverable amounts.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and operations	Effective equity interest held by Group	
			2012 %	2011 %
Industrial Engineering Systems Pte. Ltd. <sup>(1)</sup>	Designing of industrial plant engineering services systems and general wholesaler and trader	Singapore	78	78
P.J. Services Pte Ltd <sup>(1)</sup>	Trading in oilfield equipment and related products	Singapore	100	100
Nu-Haven Incorporated <sup>(2)</sup>	Investment holding	British Virgin Islands	100	100
Industrial Power Technology Pte Ltd <sup>(3)</sup>	Engineering, procurement and construction contractor for biomass power plant	Singapore	60	–
<u>Held by P.J. Services Pte Ltd:</u>				
Panah Jaya Services Sdn. Bhd. <sup>(4),(6)</sup>	Trading of oilfield parts and equipment	Malaysia	100	100
PT. Panah Jaya Sejahtera <sup>(5),(6)</sup>	Trading in oilfield equipment and related products	Indonesia	100	100
<u>Held by Nu-Haven Incorporated:</u>				
Avital Enterprises Limited <sup>(2)</sup>	Investment holding	British Virgin Islands	100	100

(1) Audited by LTC LLP, Singapore

(2) Audited by Leong Ho & Associates, Malaysia

(3) Audited by Moore Stephens LLP, Singapore

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

(5) Audited by Doli, Bambang, Sudarmadji & Dadang, Indonesia

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 10 INVESTMENTS IN SUBSIDIARIES (Cont'd)

In accordance with Rule 716 of the Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of 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.

### Acquisition of subsidiary:

In 2012:

As disclosed in more details in Note 27 to the financial statements, the Company completed the acquisition of 60% interest, comprising 4,861,500 ordinary fully paid shares in the issued and paid up share capital of Industrial Power Technology Pte Ltd (“**Industrial Power**”), for a consideration of \$10,000,000 during the financial year.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Industrial Power's net identifiable assets.

Provisional goodwill amounting to \$8,532,000 is included in the carrying amount of the investment in Industrial Power. The amount of provisional goodwill will be adjusted accordingly when recognising the fair value of the net identifiable assets within twelve months from the date of acquisition of the subsidiary.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<b>\$'000</b>
Trade and other receivables	4,272
Other current assets	573
Cash and cash equivalents	2,467
Plant and equipment	468
Investments in associated companies	31
	<hr/> 7,811
Trade and other payables	5,117
Finance lease liabilities	247
	<hr/> 5,364
Net assets acquired	2,447
Less: non-controlling interest	(979)
Goodwill arising from acquisition	8,532
Total consideration	<hr/> <b>10,000</b>

Net cash inflow arising on acquisition:

	<b>\$'000</b>
Cash and cash equivalent acquired	2,467
Non cash consideration	7,533
Total consideration transferred	<hr/> <b>10,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 10 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Revenue and profit contribution:

The acquired subsidiary had not contributed revenue and net profit to the Group as it was acquired on 28 December 2012. Had Industrial Power been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been \$39,421,000 and \$7,828,000 respectively.

In 2011:

- a. the Company acquired the remaining 40% interest, comprising 40,000 ordinary fully paid shares in the issued and paid up share capital of P.J. Services Pte Ltd for a consideration of \$1,600,000 ("**PJ Acquisition**"), satisfied by (i) a cash payment of \$1,100,000 and (ii) 9,191,176 new shares ("Consideration Shares") of the Company at an issue price of S\$0.0544 per Consideration Shares to satisfy the balance consideration of \$500,000. The Consideration Shares are listed and quoted for trading on 31 January 2011. As a result of the PJ Acquisition, the Company recognised an excess of the cost of the acquisition over the proportionate amount of the carrying amount of the net assets of the acquired non-controlling interest amounting to approximately \$1,389,000 during the financial year directly as a capital reserve in equity.
- b. P.J. Services Pte Ltd increased its issued capital from \$100,000 to \$300,000 by the issuance of 200,000 ordinary shares to the Company at \$200,000 by way of capitalising the amount due by P.J. Services Pte Ltd to the Company.

## 11 INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2012	2011
	\$'000	\$'000
Unquoted equity shares, at cost		
Due to subsidiary acquired (Note 10)	31	–
At end of year	31	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 11 INVESTMENT IN ASSOCIATED COMPANIES (Cont'd)

Details of the associated companies, which are held by Industrial Power Technology Pte Ltd ("Industrial Power") (Notes 10 and 27), are as follows:

Name of associated company	Principal activities	Country of incorporation and operations	Effective equity interest held by Group	
			2012 %	2011 %
Industrial Power Technology (Thailand) Co., Ltd. <sup>(1)(2)</sup>	Provision of marketing, after sales, engineering and construction services	Thailand	18	–
Industrial Power (Thailand) Co., Ltd. <sup>(1)</sup>	Engineering, procurement and construction projects	Thailand	49	–

(1) Audited by Briskal Co., Limited, Thailand

(2) Notwithstanding that the Group's effective interest in the associated company is only 18%, the investment is accounted for as an associate as the Group has significant influence over the financial and operating policies of the associated company.

## 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012 \$'000	2011 \$'000
Listed securities, at fair value		
– Equity securities in Singapore Exchange	6,864	6,942
Unlisted equity securities	4,800	4,800
Less: impairment loss	(4,800)	(4,800)
	–	–
	<b>6,864</b>	<b>6,942</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Cont'd)

The movement in the impairment loss on available-for-sale financial assets is as follows:

	Group	
	2012 \$'000	2011 \$'000
Balance at beginning of year	4,800	4,400
Charge during the year	–	400
Balance at end of year	4,800	4,800

The unlisted equity securities are valued at cost and have been fully impaired since 31 December 2011. Details of the unlisted equity securities are as follows:

Name of unlisted equity security	Country of incorporation	Effective equity interest		Cost	
		held by Group		2012	2011
		2012	2011	2012	2011
		%	%	\$'000	\$'000
China Data System Investments Pte Ltd	Singapore	19	19	4,800	4,800

The Group had recognised a fair value gain on listed securities which was directly recognised in other comprehensive income of approximately \$4,712,000 (2011: \$263,000) against the trade prices as at 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 13 PLANT AND EQUIPMENT

	Fixtures and fittings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Group</b>				
Cost:				
As at 1 January 2011	130	197	224	551
Translation differences	–	6	–	6
Additions	78	42	–	120
Disposals	(42)	(54)	–	(96)
As at 31 December 2011	166	191	224	581
Reclassification	(41)	40	1	–
Translation differences	–	(1)	–	(1)
Additions	–	7	47	54
Disposals	–	–	(55)	(55)
Due to subsidiary acquired	357	285	399	1,041
As at 31 December 2012	482	522	616	1,620
Accumulated depreciation:				
As at 1 January 2011	102	172	99	373
Translation differences	–	6	–	6
Additions	19	17	39	75
Disposals	(42)	(54)	–	(96)
As at 31 December 2011	79	141	138	358
Reclassification	(39)	40	(1)	–
Translation differences	–	(1)	–	(1)
Additions	23	15	42	80
Disposals	–	–	(55)	(55)
Due to subsidiary acquired	281	239	53	573
As at 31 December 2012	344	434	177	955
Carrying amount:				
As at 31 December 2012	138	88	439	665
As at 31 December 2011	87	50	86	223



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 13 PLANT AND EQUIPMENT (Cont'd)

	Fixtures and fittings \$'000	Motor vehicles \$'000	Total \$'000
<b>Company</b>			
Cost:			
As at 1 January 2011	59	169	228
Additions	3	–	3
As at 31 December 2011 and 31 December 2012	62	169	231
Accumulated depreciation:			
As at 1 January 2011	33	43	76
Additions	9	39	48
As at 31 December 2011	42	82	124
Additions	8	33	41
As at 31 December 2012	50	115	165
Carrying amount:			
As at 31 December 2012	12	54	66
As at 31 December 2011	20	87	107

As at 31 December 2012, the carrying amount of plant and equipment of the Group and of the Company purchased and secured under hire purchase contracts (Note 17) is as follows:

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Plant and equipment	13	–	–	–
Motor vehicles	385	87	–	87
	398	87	–	87

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 14 DEFERRED INCOME TAX ASSETS

	Group	
	2012	2011
	\$'000	\$'000
At beginning of financial year	14	6
Transfer (to)/from statement of comprehensive income	(2)	8
At end of financial year	12	14

Deferred income tax assets provided for as at the end of the reporting period are related to the following:

	Group	
	2012	2011
	\$'000	\$'000
Accelerated tax depreciation	(5)	(8)
Other timing differences	17	22
	12	14

## 15 GOODWILL ARISING ON CONSOLIDATION

	Group	
	2012	2011
	\$'000	\$'000
Cost:		
At beginning of financial year	4,968	4,968
Additions during the year (Note 10)	8,532	–
Impairment loss	(2,468)	–
	11,032	4,968

### Impairment tests for goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit (“CGU”) that is expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Group	
	2012	2011
	\$'000	\$'000
Industrial Engineering Systems Pte. Ltd.	2,500	4,968
Industrial Power Technology Pte Ltd (Note 10)	8,532	–
	11,032	4,968

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 15 GOODWILL ARISING ON CONSOLIDATION (Cont'd)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. During the financial year, the management performed an impairment test for the Group's goodwill. An impairment loss of \$2,468,000 (2011: Nil) was recognised within "other expenses" in the consolidated statement of comprehensive income for the financial year ended 31 December 2012 to write down goodwill associated with the acquisition of Industrial Engineering Pte Ltd ("IES") in 2009 to its recoverable amount. The impairment charge is due to the competitive pressure felt on the selling prices of customized oilfield equipment in the market as a result of the global economy crunch. The recoverable amount was determined based on a value-in-use calculation using cash flow projections from financial budgets approved by the management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five year period are 6% (2011: 4%) and 0% (2011: 0%), respectively.

## 16 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables:				
Non-related parties	4,405	1,513	–	–
Due to customers on construction contracts	1,146	–	–	–
Other payables:				
Non-related parties	1,903	1,851	797	983
Related party (Note 30)	143	50	50	–
Other accrual for operating expenses	1,022	355	357	165
	<u>8,619</u>	<u>3,769</u>	<u>1,204</u>	<u>1,148</u>

Due to customers on construction contracts, which arose from the acquisition of Industrial Power Technology Pte Ltd (Notes 10 and 27):

	Group	
	2012 \$'000	2011 \$'000
Construction work-in-progress		
– Due to subsidiary acquired	1,904	–
Aggregate contract costs recognised	23,276	–
Add: Attributable profits	4,033	–
	<u>29,213</u>	<u>–</u>
Less: Progress billings	(30,359)	–
Due to customers on construction contracts	<u>(1,146)</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 17 BORROWINGS

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current: Trust receipts	434	1,937	–	–
Finance lease liability	54	26	–	26
Non-current:	488	1,963	–	26
Finance lease liability	219	33	–	33
Total	707	1,996	–	59

Trust receipts of a subsidiary is secured by way of a pledge of fixed deposits (Note 5) amounting to approximately \$253,000 (2011: \$252,000) and a corporate guarantee of \$1,000,000 jointly issued by the Company and a related party. The fair value of the corporate guarantee is considered negligible.

Trust receipts incur interest rates ranging from 2.8% to 6.75% (2011: 2.8% to 6.75%) per annum.

### Finance lease liability:

The Group leases plant and equipment and a motor vehicle 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Group:				
Amounts payable under finance lease:				
Less than one year	64	29	54	26
Between 2 to 5 years	204	37	186	33
More than 5 years	34	–	33	–
	302	66	273	59
Less: Future finance charges	(29)	(7)	–	–
Present value of finance lease liabilities	273	59	273	59
Company:				
Amounts payable under finance lease:				
Less than one year	–	29	–	26
Between 2 to 5 years	–	37	–	33
	–	66	–	59
Less: Future finance charges	–	(7)	–	–
Present value of finance lease liabilities	–	59	–	59

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 17 BORROWINGS (Cont'd)

### Finance lease liability: (Cont'd)

The effective rates of interest for finance lease range from 3.57% and 7.45% (2011: 2.5% and 2.68%) per annum.

### Fair value of non-current borrowings

The fair value of the Group's non-current finance lease liability amounting to \$223,000 (2011: \$35,000) is determined from the cash flow analysis, discounted at 6.5% to 6.7% (2011: 2.6%) which is the market borrowing rate of an equivalent instrument at the end of the reporting period and which the directors expect to be available to the Group.

## 18 SHARE CAPITAL

	Group and Company	
	Number of shares '000	Issued share capital \$'000
As at 1 January 2011	436,949	40,194
Issue of shares	9,191	500
As at 31 December 2011	446,140	40,694
Issue of shares	210,000	3,990
Share issue expenses	–	(25)
As at 31 December 2012	656,140	44,659

All issued ordinary shares, which have no par value, are fully paid, carry one vote per share and carry a right to dividends as and when declared by the Company.

During the financial year, in 2012, the Company issued 210,000,000 new ordinary shares ("Placement Shares") by way of a private placement at an issue price of \$0.019 per Placement Share to seven (7) individuals. The Placement Shares were listed and quoted for trading on 26 April 2012. The net proceeds from the Placement Shares were \$3,965,000 after share issue expenses ("Placement Shares Net Proceeds") which had been fully utilised and applied towards part settlement of the purchase consideration in connection with the Company's acquisition of 60% of the entire issued share capital of Industrial Power Technology Pte Ltd (Notes 10 and 27).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 18 SHARE CAPITAL (Cont'd)

Subsequent to the financial year ended 31 December 2012 and on 15 January 2013, the Company completed a renounceable non-underwritten rights issue of 656,139,662 new ordinary shares ("**Rights Issue Exercise**") in the capital of the Company (each a "**Rights Share**", collectively the "**Rights Shares**") at an issue price of S\$0.015 for each Right Share (the "**Issue Price**"), on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company (the "**Shares**"). The Rights Shares were fully subscribed and listed and quoted for trading on 16 January 2013. Following the allotment and issuance of the Rights Shares, the total number of issued shares of the Company increased from 656,139,662 shares to 1,312,279,324 shares. The Issue Price of S\$0.015 for each Right Share represents a discount of approximately 40% to the closing market price of S\$0.025 per Share on 27 September 2012, being the last market day on which the Shares were traded prior to the date of the announcement of the Rights Issue Exercise on 28 September 2012. The net proceeds of approximately \$9,840,000 from the Rights Shares ("**Rights Shares Net Proceeds**") are ear-marked to fund the operations of the Company's subsidiaries and for general working capital purposes. The Company will make periodic announcements on the utilisation of the Rights Shares Net Proceeds as and when they are materially disbursed and provide a status report on their use. Pending its deployment, the Rights Shares Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

During the financial year ended 31 December 2011, the Company issued 9,191,176 new shares ("**Consideration Shares**") at an issue price of \$0.0544 per Consideration Share to satisfy the balance consideration of \$500,000 on the acquisition of the remaining 40% interest comprising 40,000 ordinary fully paid shares in the issued and paid up share capital of an existing subsidiary, PJ Services Pte Ltd ("**PJ Acquisition**"). The Consideration Shares were listed and quoted for trading on 31 January 2011.

The newly issued shares rank pari passu in all respects with the previously issued shares.

## 19 OTHER RESERVES

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Composition:				
Capital reserve	(1,389)	(1,389)	-	-
Translation reserve	(88)	(27)	-	-
Fair value reserve	3,942	(81)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,465	(1,497)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 19 OTHER RESERVES (Cont'd)

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Movements:				
<i>Capital reserve</i>				
Balance as at 1 January	(1,389)	–	–	–
Due to acquisition of non-controlling interest	–	(1,389)	–	–
Balance as at 31 December	<u>(1,389)</u>	<u>(1,389)</u>	–	–
<i>Translation reserve</i>				
Balance as at 1 January	(27)	(27)	–	–
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	(61)	–	–	–
Balance as at 31 December	<u>(88)</u>	<u>(27)</u>	–	–
<i>Fair value reserve</i>				
Balance as at 1 January	(81)	(374)	–	–
Available-for-sale financial assets				
– Fair value gains	4,712	263	–	–
– Reclassification adjustment on disposal	(689)	30	–	–
Balance as at 31 December	<u>3,942</u>	<u>(81)</u>	–	–

Other reserves are non-distributable.

## 20 REVENUE

Revenue comprises sale of goods.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 21 OTHER INCOME

	Group	
	2012	2011
	\$'000	\$'000
Interest income from bank and deposits	11	2
Interest income from loan to a related party	–	1
Interest income from a joint venture	–	49
Miscellaneous	345	132
Settlement fee on buy and sell back Agreements	–	60
Gain on sale of financial assets, at fair value through profit or loss, net	1,076	105
Gain on sale of available-for-sale financial assets	1,790	–
Gain on trade receivables – buy and sell back Agreements	–	146
Fair value gains on financial assets, at fair value through profit or loss	4,203	259
Allowance for doubtful debts on trade receivables written back	–	72
Gain on discounting of long term trade receivables	26	–
	<hr/>	<hr/>
	7,451	826

## 22 OTHER EXPENSES

	Group	
	2012	2011
	\$'000	\$'000
Impairment loss on amount due from a joint venture	–	1,186
Foreign currency exchange loss	31	142
Loss on disposal of available-for-sale financial assets	–	26
Impairment loss on investment in available-for-sale financial assets (Note 12)	–	400
Loss on discounting of long-term trade receivables	–	39
Other receivables written off	–	50
Impairment loss on goodwill arising on consolidation (Note 15)	2,468	–
	<hr/>	<hr/>
	2,499	1,843



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 23 FINANCE COSTS

	Group	
	2012	2011
	\$'000	\$'000
Interest on finance lease liability	7	3
Interest on bank overdraft and trust receipts	30	16
	<hr/>	<hr/>
	37	19

## 24 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is determined after charging the following:

	Group	
	2012	2011
	\$'000	\$'000
Depreciation expense on plant and equipment	80	75
Directors' remuneration		
– Company	207	225
– Subsidiaries	250	200
Directors' fees		
– Company	72	60
– Subsidiaries	27	3
Underprovision of directors' fees of the Company in previous year	12	–
Fees on audit services paid/payable to:		
– Auditor of the Company	115	141
– Other auditors	17	14
Fees on non-audit services paid/payable to:		
– Auditor of the Company	7	4
– Other auditors	1	– <sup>#</sup>

<sup>#</sup> Amount is less than \$1,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 25 INCOME TAX EXPENSE

	Group	
	2012	2011
	\$'000	\$'000
Tax expense attributable to profit/(loss) is made up of:		
Current income tax		
– Singapore	–	–
– Foreign	21	66
Deferred income tax – foreign (Note 14)	2	8
	<hr/> 23	<hr/> 74
(Over)/under provision in previous financial year:		
– Singapore	–	–
– Foreign	(8)	2
	<hr/> (8)	<hr/> 2
	<hr/>	<hr/>
Total	<hr/> 15	<hr/> 76

The tax on profit/(loss) before income tax differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	Group	
	2012	2011
	\$'000	\$'000
Tax calculated at tax rate of 17%	838	(354)
Effects of:		
Different tax rates in other countries	15	21
(Non-taxable)/Non allowable items, net	(762)	2
Deferred tax assets not recognised	(27)	397
(Over)/underprovision in prior years	(8)	2
Utilisation of previously unrecognised capital allowances	(41)	–
Others	–	8
Tax expense	<hr/> 15	<hr/> 76

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 26 EARNING/(LOSS) PER SHARE

The basic and diluted earning/(loss) per share is calculated by dividing the total profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2012	2011
	\$'000	\$'000
Total profit/(loss) attributable to equity holders of the Company (\$'000)	3,709	(2,073)
Weighted average number of shares ('000)	589,582	445,359
Basic and diluted earning/(loss) per share (in cents)	0.63	(0.47)

The basic and diluted earning/(loss) per share are the same as the Group did not have any potentially dilutive instruments for the respective financial years.

## 27 ACQUISITION OF INDUSTRIAL POWER TECHNOLOGY PTE LTD, THE THINK ENVIRONMENTAL CO, SDN. BHD. AND A PROPERTY

On 28 September 2012, the Company entered into a sale and purchase agreement (the "**Agreement**") with Think Power Pte. Ltd. (the "**Vendor**") and LionGold Corp Ltd (the "**Guarantor**") for the sale and purchase of (i) 4,861,500 shares (the "**Industrial Power Shares**") comprising 60% of the entire issued share capital of Industrial Power Technology Pte Ltd ("**Industrial Power**") and (ii) the property (the "**Property**") located at 38 Kallang Place, Singapore 339166; from the Vendor and; 100,000 shares (the "**TTEC Shares**") comprising 100% of the entire issued share capital of The Think Environmental Co. Sdn. Bhd. ("**TTEC**") from the Guarantor (collectively, the "**Industrial Power Acquisitions**"), for an aggregate consideration of \$12,500,001 (consisting of \$10,000,000 for the Industrial Power Shares, \$2,500,000 for the Property and a nominal fee of \$1 for the TTEC Shares). The consideration in relation to the Industrial Power Acquisitions was determined on a willing-buyer, willing-seller basis and took into account professional valuation reports on the fair market value of the Industrial Power Shares and open market value of the Property; and the negative net asset value attributable to the TTEC Shares as at 31 March 2012. The Industrial Power Acquisitions are financed through internal resources, which include, inter alia, the Placement Shares Net Proceeds, and proposed bank borrowings for the Property. Please refer to the Company's announcements dated 10, 28 September 2012, 31 October 2012, 16 November 2012, 28 December 2012 and 23 January 2013 in relation to the Industrial Power Acquisitions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 27 ACQUISITION OF INDUSTRIAL POWER TECHNOLOGY PTE LTD, THE THINK ENVIRONMENTAL CO, SDN. BHD. AND A PROPERTY (Cont'd)

### (a) Industrial Power (Note 10)

Industrial Power is a company incorporated in Singapore with an issued share capital of approximately \$9,600,000 and it owns investments in two associated companies, namely, 18% of the entire equity interests in Industrial Power Technology (Thailand) Co., Ltd. and 49% of the entire equity interests in Industrial Power (Thailand) Co., Ltd., both incorporated in Thailand. The principal activities of Industrial Power and its associated companies are those of a power plant developer and integrator, specialising in the turnkey construction and integration of biomass power plants, and the installation of heating boilers, radiators and correctors, including parts and other related non-electric products, in Southeast Asian countries such as Thailand, Malaysia and Indonesia. The acquisition of the Industrial Power Shares had been completed on 28 December 2012 as announced by the Company on the same date.

### (b) TTEC

TTEC is a company incorporated in Malaysia with an issued share capital of \$40,000 (equivalent to RM100,000). TTEC is principally involved as a specialist engineering, procurement and construction contractor for biomass power generation projects. As announced on 23 January 2013, the Company had completed the acquisition of the TTEC Shares on the same date.

### (c) The Property

The Property is a 2 story terrace factory currently being leased by Industrial Power as its office and operating premises from JTC Corporation ("JTC"). The lease is for a period of 60 years from 20 June 1981 and the Property has a land area of 1,034.4 square metres. Upon completion of the Industrial Power Acquisitions, the Company will continue to lease the Property to Industrial Power. The completion of the acquisition of the Property is subject to the consent of JTC to the assignment of the lease of the Property and JTC not having raised any objection to the sale of the Property to the Company. The acquisition of the Property has not been completed as of the date of this Annual Report.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 28 SEGMENT INFORMATION

### Analysis by Geographical Segments

For the financial year ended 31 December 2012

#### Geographical segments by location of assets

Revenue:	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Elimination \$'000	Total \$'000
External sales	4,935	11,575	448	–	16,958
Inter-segment sales	718	22	45	(785)	–
Total revenue	5,653	11,597	493	(785)	16,958
Results:					
Segment results	2,317	2,827	(98)	(1,179)	3,867
Interest income	11	–	–	–	11
Interest expense	(37)	–	–	–	(37)
Loss before income tax	2,291	2,827	(98)	(1,179)	3,841
Income tax	–	(23)	8	–	(15)
Total profit/(loss) for the financial year	2,291	2,804	(90)	(1,179)	3,826
Other information:					
Capital expenditure	48	6	–	–	54
Depreciation and Amortisation	75	4	1	–	80
Impairment loss on goodwill arising on acquisition of a subsidiary					2,468
					2,548



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 28 SEGMENT INFORMATION (Cont'd)

### Analysis by Geographical Segments (Cont'd)

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Elimination \$'000	Total \$'000
<b>For the financial year ended 31 December 2011</b>					
<b>Geographical segments by location of assets</b>					
Revenue:					
External sales	5,215	4,073	915	–	10,203
Inter-segment sales	966	–	–	(966)	–
Total revenue	6,181	4,073	915	(966)	10,203
Results:					
Segment results	(2,776)	507	(30)	184	(2,115)
Interest income	100	1	–	(49)	52
Interest expense	(68)	–	–	49	(19)
Profit/(loss) before income tax	(2,744)	508	(30)	184	(2,082)
Income tax	(8)	(68)	–	–	(76)
Total profit/(loss) for the financial year	(2,752)	440	(30)	184	(2,158)
Other information:					
Capital expenditure	115	5	–	–	120
Depreciation and Amortisation	69	4	2	–	75
Impairment loss on investments in available-for-sale financial assets	400	–	–	–	400
Impairment loss on amounts due from a joint venture	1,253	–	–	(67)	1,186
					1,661

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 28 SEGMENT INFORMATION (Cont'd)

### Analysis by Geographical Segments (Cont'd)

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	Thailand \$'000	Elimination \$'000	Total \$'000		
Assets:								
Segment assets	33,682	4,328	1,344	-	(14,355)	24,999		
Fixed deposits	409	-	-	-	-	409		
Deferred tax assets	18	(4)	-	-	-	14		
Consolidated total assets						<u>25,422</u>		
Liabilities:								
Segment liabilities	16,289	991	365	-	(13,876)	3,769		
Borrowings	1,996	-	-	-	-	1,996		
Current income tax liabilities	64	32	354	-	-	450		
Consolidated total Liabilities						<u>6,215</u>		
				Brunei and Myanmar \$'000	Peoples' Republic of China \$'000	Others \$'000	Total \$'000	
Geographical segments by customer base								
Revenue	3,248	4,183	880	1,264	283	259	86	10,203

### Analysis by Business Segments

The Group operates in four product segments – engineering services, oil and gas equipment, biomass projects and investments and others.

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

	Revenue		Segment assets		Capital additions	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Engineering services	4,629	3,300	3,979	5,256	-	-
Oil and gas equipment	12,329	6,903	3,003	3,285	54	3
Biomass projects*	-	-	7,790	-	-	-
Investments and others	-	-	26,870	16,881	-	117
	<u>16,958</u>	<u>10,203</u>	<u>41,642</u>	<u>25,422</u>	<u>54</u>	<u>120</u>

\* Biomass projects business segment assets belong to Industrial Power Technology Pte Ltd which was acquired on 28 December 2012.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 29 COMMITMENTS

### OPERATING LEASE COMMITMENTS

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables:				
Minimum lease payments under operating leases included in the statement of comprehensive income:				
– Rental of office premises	138	124	18	18
– Photocopying machine	6	4	3	3
	<u>144</u>	<u>128</u>	<u>21</u>	<u>21</u>

At the end of the reporting period, the commitments in respect of non-cancellable operating leases with terms from 1 to 2 years (2011: 1 to 2 years) for the rental of office premises and photocopying machines from non-related parties were as follows:

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within one year	<u>97</u>	<u>92</u>	<u>–</u>	<u>2</u>
In the second to fifth year Inclusive	<u>24</u>	<u>97</u>	<u>–</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 30 SIGNIFICANT RELATED PARTY TRANSACTIONS

Some of the Group's and 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 the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(a) Key management personnel				
– Remuneration	646	541	196	213
– Employer's contribution to defined contribution plans including Central Provident Fund	26	25	10	12
(b) Fees paid to a firm of which a director of the Company is a director but not a member <sup>(1)</sup>	31	6	–	–
(c) Fees paid to a firm of which a director of the Company is an equity partner <sup>(2)</sup>	6	–	–	–

(1) Robert Wang & Woo LLP as its solicitors. Mr Tan Soo Khoon Raymond is a director of Robert Wang & Woo LLP but he has no equity interests in Robert Wang & Woo LLP. The Audit Committee (with the exception of Mr Tan Soo Khoon Raymond) has reviewed the fees charged by Robert Wang & Woo LLP of \$31,306 (2011: \$5,894) and is of the view that the fees charged for acting for the Company are within market rates and comparable to fees charged by other law firms for similar work.

(2) JLC Advisors LLP as its solicitors. Mr Ong Su Aun Jeffrey is an equity partner of JLC Advisors LLP. The Audit Committee (with the exception of Mr Ong Su Aun Jeffrey) has reviewed the fees charged by JLC Advisors LLP of \$6,088 (2011: Nil) and is of the view that the fees charged for acting for the Company in the legal action are within market rates and comparable to fees charged by other law firms for similar works.

## 31 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group's overall business strategies, tolerance of risk and general risk management philosophy are determined by directors in accordance with prevailing economic and operating conditions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk

#### (i) Currency 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 Singapore Dollar (SGD), Malaysian Ringgit (MYR), United States Dollar (USD), Indonesia Rupiah (IDR) and Euro (EUR).

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.

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:

	SGD \$'000	USD \$'000	MYR \$'000	IDR \$'000	EUR \$'000	Others \$'000	Total \$'000
<b>Group</b>							
<b>As at 31 December 2012</b>							
<u>Financial assets</u>							
Cash and cash equivalents, fixed deposits, available-for-sale financial assets and fair value through profit or loss	17,203	2,271	478	12	135	67	20,166
Trade and other receivables and other current assets (except prepayments)	1,833	2,157	3,860	44	295	32	8,221
	19,036	4,428	4,338	56	430	99	28,387
<u>Financial liabilities</u>							
Trade and other payables and borrowings	(3,650)	(969)	(1,927)	(43)	(953)	(638)	(8,180)
Net financial assets	15,386	3,459	2,411	13	(523)	(539)	20,207
Less: Net financial assets denominated in the respective entities' functional currencies	(15,386)	–	–	–	–	–	(15,386)
Net currency exposure	–	3,459	2,411	13	(523)	(539)	4,821

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (i) Currency risk (Cont'd)

The Group's currency exposure based on the information provided to key management is as follows:  
(cont'd)

	SGD \$'000	USD \$'000	MYR \$'000	IDR \$'000	EUR \$'000	Others \$'000	Total \$'000
<b>Group</b>							
<b>As at 31 December 2011</b>							
<u>Financial assets</u>							
Cash and cash equivalents, fixed deposits, available-for-sale financial assets and fair value through profit or loss	12,310	544	178	7	33	59	13,131
Trade and other receivables and other current assets (except prepayments)	910	3,045	813	413	22	4	5,207
	13,220	3,589	991	420	55	63	18,338
<u>Financial liabilities</u>							
Trade and other payables and borrowings	(4,072)	(960)	(638)	(18)	(40)	(37)	(5,765)
Net financial assets	9,148	2,629	353	402	15	26	12,573
Less: Net financial assets denominated in the respective entities' functional currencies	(9,148)	–	–	–	–	–	(9,148)
Net currency exposure	–	2,629	353	402	15	26	3,425

### Company

As at 31 December 2012 and 2011, there is no currency risk exposure for the financial assets and liabilities as they are all denominated in the Company's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (i) Currency risk (Cont'd)

##### *Sensitivity analysis*

If the USD, MYR, IDR and EUR vary against the SGD by 5% (2011:5%) respectively, with all other variables including tax rate being held constant, the effect on the total profit will be as follows:

	Increase/(Decrease) Group	
	2012	2011
	\$'000	\$'000
USD against SGD		
– Strengthen	173	131
– Weaken	(173)	(131)
MYR against SGD		
– Strengthen	121	18
– Weaken	(121)	(18)
IDR against SGD		
– Strengthen	1	20
– Weaken	(1)	(20)
EUR against SGD		
– Strengthen	(26)	1
– Weaken	26	(1)

#### (ii) 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 2012. These securities are listed in 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (a) Market risk (Cont'd)

#### (ii) Price risk (Cont'd)

If prices for equity securities listed in Singapore Exchange change by 10% (2011: 10%) with all other variables including tax rate being held constant, the effects on the net profit/(loss) for the financial year and other comprehensive income would have been:

	Profit after tax 2012 \$'000	Group Increase/(Decrease) Other comprehensive income 2012 \$'000	Loss after tax 2011 \$'000	Other comprehensive income 2011 \$'000
<b>Group</b>				
Listed on Singapore Exchange				
– Increased by 10%	864	686	(482)	694
– Decreased by 10%	(864)	(686)	482	(694)
<b>Company</b>				
Listed on Singapore Exchange				
– Increased by 10%	864	–	(482)	–
– Decreased by 10%	(864)	–	482	–

#### (iii) Interest rate risk

The Group is exposed to interest rate risk relating primarily to interest-earning financial assets and interest-bearing financial liabilities. The details of interest rates are disclosed in the relevant notes to the financial statements. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest income could be affected by an adverse movement in interest rates.

The Group obtains additional financing through finance lease arrangement. The Group's policy is to obtain the most favourable interest rates available. As at the end of the reporting period, there is no significant interest rate risk as the Group has no significant interest-bearing assets and liabilities.

### (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 reporting period, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (b) Credit risk (Cont'd)

The trade and other receivables and other current assets of the Group and Company comprise 3 debtors (2011: 3 debtors) and 1 debtor (2011: 1 debtor) respectively that individually represented 5 – 10% of trade and other receivables and other current assets.

#### 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 that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

#### Financial assets that are either past due or impaired

The Group's trade and other receivables amounting to approximately \$7,453,000 (2011: \$5,142,000) are past due at the end of the reporting period but not impaired. Trade and other receivables that are impaired amounting to approximately \$449,000 (2011: \$541,000) had been provided for. An analysis of the age of trade and other receivables past due as at the end of the reporting period but not impaired is as follows:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Not past due	4,878	2,790	249	249
Past due 1 – 30 days	684	289	–	–
Past due 31 – 60 days	207	10	–	–
Past due 61 – 90 days	21	68	–	–
More than 90 days	1,663	1,985	–	–
	<u>7,453</u>	<u>5,142</u>	<u>249</u>	<u>249</u>

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (c) Liquidity risk (Cont'd)

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.

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

	Group	
	2012	2011
	\$'000	\$'000
Less than one year		
Trade and other payables	7,473	3,769
Borrowings	488	1,963
	<hr/>	<hr/>
	7,961	5,732
Between 2 to 5 years		
Borrowings	204	37
More than 5 years		
Borrowings	34	–
	<hr/>	<hr/>
	8,199	5,769
	<hr/>	<hr/>

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise 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 capital structure of the Group and Company is predominately equity. In view of the net equity position, gearing is currently not considered necessary.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 31 FINANCIAL RISK MANAGEMENT (Cont'd)

### (e) Fair value measurements

The following table presents assets measured at fair value and classified by level of the following fair value measurement hierarchy as at 31 December 2012:

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

<u>Group</u>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>
As at 31 December 2012			
<u>Assets</u>			
Financial assets, at fair value through profit or loss	8,636	–	–
Available-for-sale financial assets	6,864	–	–
<b>Total</b>	<b>15,500</b>	<b>–</b>	<b>–</b>
As at 31 December 2011			
<u>Assets</u>			
Financial assets, at fair value through profit or loss	4,821	–	–
Available-for-sale financial assets	6,942	–	–
<b>Total</b>	<b>11,763</b>	<b>–</b>	<b>–</b>
<u>Company</u>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>
As at 31 December 2012			
<u>Assets</u>			
Financial assets, at fair value through profit or loss	8,636	–	–
As at 31 December 2011			
<u>Assets</u>			
Financial assets, at fair value through profit or loss	4,821	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 32 OTHERS

(a) Employee compensation

	Group	
	2012	2011
	\$'000	\$'000
Wages, salaries and other related costs	1,240	1,098
Employer's contribution to defined contribution plans including Central Provident Fund	137	109
Amounts attributable to continuing operations	<u>1,377</u>	<u>1,207</u>

(b) Directors' remuneration

The following information relates to remuneration of directors of the Company during the financial year:

	Group	
	2012	2011
	\$'000	\$'000
Number of directors of the Company in remuneration bands		
– above \$500,000	–	–
– \$250,000 to below \$500,000	–	–
– below \$250,000	6	6
Total	<u>6</u>	<u>6</u>
Directors' remuneration paid/payable to:		
– directors of the Company	207	225
– other directors	250	200
Directors' fees paid/payable to:		
– directors of the Company	72	60
– other directors	27	3
Underprovision of directors' fees payable to directors of the Company	12	–
	<u>568</u>	<u>488</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

## 33 OTHER SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Company together with a third party has issued joint and several corporate guarantees to an insurance company and a bank for advance payment security and performance security of \$2,600,000 each for a project of a subsidiary. The fair values of the corporate guarantees are considered negligible.

## 34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new, revised and amendments to FRS and new INT FRS have been issued that are effective for accounting periods beginning on or after 1 January 2013 that are applicable to the Group.

- Amendments to FRS 32: Presentation – *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 107: Disclosures – *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2013)
- FRS 110: *Consolidated Financial Statements*, FRS 111: *Joint Arrangements*, FRS 112: *Disclosure of Interests in Other Entities*, FRS 27 (Revised 2011): *Separate Financial Statements* and FRS 28 (Revised 2011): *Investments in Associates and Joint Ventures* are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. An entity that early adopts any of these five new/revised standards should also apply all the other standards in this package of five new/revised standards.
- FRS 113 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)
- INT FRS 19 (revised 2011) *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013)
- Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012)
- *Improvements to FRSs 2012* (effective for annual periods beginning on or after 1 January 2013)

The management anticipates that the adoption of the above new, revised and amendments to FRS and new INT FRS in the future periods will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

# STATISTICS OF SHAREHOLDINGS

As at 28 March 2013

Share Capital	:	\$54,574,268
Number of issued Shares	:	1,312,279,324
Class of Shares	:	Ordinary Shares
Voting rights:	:	On show of hands: One vote for each member
	:	On a poll: One vote for each ordinary share
Treasury Shares	:	Nil. The Company has no treasury shares.

## DISTRIBUTION OF SHAREHOLDINGS

As at 28 March 2013

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 999	5	0.15	1,020	0.00
1,000 – 10,000	571	16.72	3,824,852	0.29
10,001 – 1,000,000	2,678	78.44	435,668,650	33.20
1,000,001 & ABOVE	160	4.69	872,784,802	66.51
TOTAL	3,414	100.00	1,312,279,324	100.00

## SUBSTANTIAL SHAREHOLDER AS PER REGISTER

(As recorded in the Register of Substantial Shareholders as at 28 March 2013)

Name of Shareholder	Number of Shares	%
EDWIN SUGIARTO *	108,269,800	8.25

Note:

\* Shares are held in the name of Phillip Securities Pte Ltd

# STATISTICS OF SHAREHOLDINGS

As at 28 March 2013

## TOP TWENTY SHAREHOLDERS

As at 28 March 2013

No.	Name of Shareholder	Number of Shares	%
1.	PHILLIP SECURITIES PTE LTD	135,446,800	10.32
2.	DBS VICKERS SECURITIES (S) PTE LTD	33,467,000	2.55
3.	ANG CHAI CHENG	25,260,000	1.93
4.	TEO EE SENG	25,000,000	1.91
5.	OCBC SECURITIES PRIVATE LTD	24,104,000	1.84
6.	TAN ENG CHUA EDWIN	23,146,000	1.76
7.	AMFRASER SECURITIES PTE. LTD.	22,879,000	1.74
8.	MAYBANK KIM ENG SECURITIES PTE LTD	20,964,000	1.60
9.	TENGGU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	19,220,000	1.47
10.	RADCLIFFE DEREK	18,029,176	1.37
11.	MAYBANK NOMINEES (S) PTE LTD	16,889,000	1.29
12.	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	16,046,100	1.22
13.	KOH LAY CHOO KELEN	15,770,000	1.20
14.	Y2P CAPITAL PTE LTD	13,980,000	1.07
15.	TAN CHENG GUAN	13,901,000	1.06
16.	YEO CHIN CHAI	13,500,000	1.03
17.	LEE PUAY KENG	11,600,000	0.88
18.	DBS NOMINEES PTE LTD	11,195,005	0.85
19.	KERWIN NG LONG FA	10,000,000	0.76
20.	WONG CHIN YONG	10,000,000	0.76
	<b>TOTAL</b>	<b>480,397,081</b>	<b>36.61</b>

## SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 28 March 2013, 91.75% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Catalist Rule 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 the Company will be held at Republic of Singapore Yacht Club, Nautica III, Level 2, 52 West Coast Ferry Road, Singapore 126887 on Tuesday, 30 April 2013 at 9:30 a.m. for the following purposes:

### **AS ORDINARY BUSINESS**

1. To receive and adopt the audited financial statements of the Company for the financial year ended 31 December 2012 and the reports of the Directors and Auditor thereon. **[Resolution 1]**
2. To approve Directors’ fees of S\$72,000 for the financial year ended 31 December 2012 (2011: S\$72,000). **[Resolution 2]**
3. To re-elect Mr Edwin Sugiarto, a Director retiring under Article 104 of the Company’s Articles of Association.  
*[See Explanatory Note (i)]* **[Resolution 3]**
4. To note the retirement of Mr Tan Soo Khoo Raymond, a Director retiring under Article 104 of the Company’s Articles of Association, who would not be seeking for re-election. **[Resolution 4]**
5. To re-appoint Messrs LTC LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**

### **AS 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 **[Resolution 6]**

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

- (i) shares in the capital of the Company (whether by way of bonus, rights or otherwise); or
- (ii) convertible securities; or
- (iii) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalism issues; or
- (iv) shares arising from the conversion of convertible securities in (ii) and (iii) above,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

- (a) the aggregate number of shares and convertible securities that may be issued shall not be more than one hundred percent (100%) of the total number of issued shares excluding treasury shares or such other limit as may be prescribed by the Catalist Rules as at the date the general mandate is passed;

# NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than fifty percent (50%) of the total number of issued shares excluding treasury shares or such other limit as may be prescribed by the Catalist Rules as at the date the general mandate is passed;
- (c) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (a) and (b) above, the percentage of the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares at the date of the general mandate is passed after adjusting for new shares arising from the conversion on exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent consolidation or subdivision of the Company's shares; and
- (d) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier."  
*[See Explanatory Note (ii)]*

7. To transact any other business that may be transacted at an Annual General Meeting

## By Order of the Board

Ong Sing Huat  
Company Secretary  
Singapore, 15 April 2013

## Explanatory Notes:

- (i) Mr Edwin Sugiarto, if re-elected, will remain as Chairman of the Board of Directors and an Executive Director of the Company.
- (ii) **Resolution 6** is to authorize the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in aggregate one hundred percent (100%) of the total number of issued shares excluding treasury shares of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Catalist Rules currently provides for the percentage of the total number of issued shares excluding treasury shares to be calculated on the basis of the total number of issued shares at the time that the resolution is passed (taking into account the conversion of exercise of any convertible securities and employee share options on the issue at the time that the resolution is passed, which were issued pursuant to previous shareholder approval), adjusted for any subsequent consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

## Notes to the Notice of AGM:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
2. A proxy need not be a member of the Company.
3. If the appointed is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 9 Temasek Boulevard #41-01 Suntec Tower 2, Singapore 038989 not later than 48 hours before the time appointed for the Meeting.

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# ANNICA HOLDINGS LIMITED

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

## IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary.

## Proxy Form

I/We \_\_\_\_\_, NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

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

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing \*him/them, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at Republic of Singapore Yacht Club, Nautica III, Level 2, 52 West Coast Ferry Road, Singapore 126887 on Tuesday, 30 April 2013 at 9:30 a.m., and at any adjournment thereof.

**Note:** Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the **Notice of Annual General Meeting**. In the absence of specific directions or in the event of any item arising not summarised below, the proxy/proxies may vote or abstain as he/they may think fit.

No.	Description of Resolutions	For	Against
1	Adoption of audited financial statements for the financial year ended 31 December 2012		
2	Approval of Directors' fees		
3	Re-election of Mr Edwin Sugiarto as a Director		
4	To note the retirement of Tan Soo Khoon Raymond		
5	Re-appointment of Auditors		
6	Authority to allot and issue shares and convertible securities		

**Note:** 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 Annual General Meeting** for the full purpose and intent of the Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Total Number of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s)/  
Common Seal of Corporate Shareholder

**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 130A of the Companies Act, Cap. 50), 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 form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 9 Temasek Boulevard #41-01 Suntec Tower 2, Singapore 038989 not less than 48 hours before the time appointed for the meeting.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. 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 must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the meeting of the Company and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the aforesaid meeting.

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