ANNICA HOLDINGS LIMITED

ANNUAL REPORT
2013

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CHAIRMAN'S MESSAGE

Dear Shareholders

On behalf of the board of directors ("**Board**"), I present to you the Annual Report of Annica Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2013 ("**FY2013**").

BUSINESS REVIEW

FY2013 has been a bumpy and challenging year.

The newly acquired biomass projects segment turned in revenue of $25.7 million which propelled the Group's revenue to $37.4 million in FY2013. The performance of the oil and gas equipment and engineering services segments were less impressive as the Group faced pressure from competitors in the sluggish industry. Geographically, the Group continues to serve customers in the Asia Pacific region through its operations in Singapore, Malaysia, Indonesia and Thailand. On the investment front, the results of which tie to changes in the financial markets, the decline in quoted market prices of equity securities led to losses on disposal and unrealised fair value losses reversing previous gains recognised. The Group reported a total loss of $14 million during the financial year.

CORPORATE EVENT

Rights Issue of 656,139,662 new ordinary shares

On 15 January 2013, the Company completed a renounceable non-underwritten rights issue of 656.1 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, 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 656.1 million Shares to 1,312.3 million Shares. The net proceeds of approximately $9.5 million from the issuance of the Rights Shares after deducting share issue expenses have been mainly utilised to fund the Group's operations and working capital and the acquisition of a leasehold property at 38 Kallang Place, Singapore 339166.

OUTLOOK

While the economy of the countries that the Group operates in has been projected to be showing signs of rebound, the Board remains cautious in the near term as the South East Asian market is dependent on the performance of the major world economies. Recognising the uncertainties and challenges ahead and that the Group's core businesses requires high internal working capital, the Board has undertaken reviews of the Group's operating models, strategies and planning processes to enable it to enhance its competitiveness and market presence and effectively utilising the net proceeds from the Rights Shares to fund the Group's operations and working capital.

It remains the Group's strategy to seek complementary business and investment opportunities which shall allow it to achieve operating and financial synergies. Whilst focusing on long-term growth and capabilities, the Board shall continue to balance risks and rewards associated with the Group's investment portfolio, taking into consideration changing investors' sentiments and fluctuating financial market conditions.

ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Board, we take this opportunity to express our gratitude to our shareholders for their patience; to our valued customers, suppliers, bankers and business associates for their continuous support and; to our staff for their loyalty and dedication.

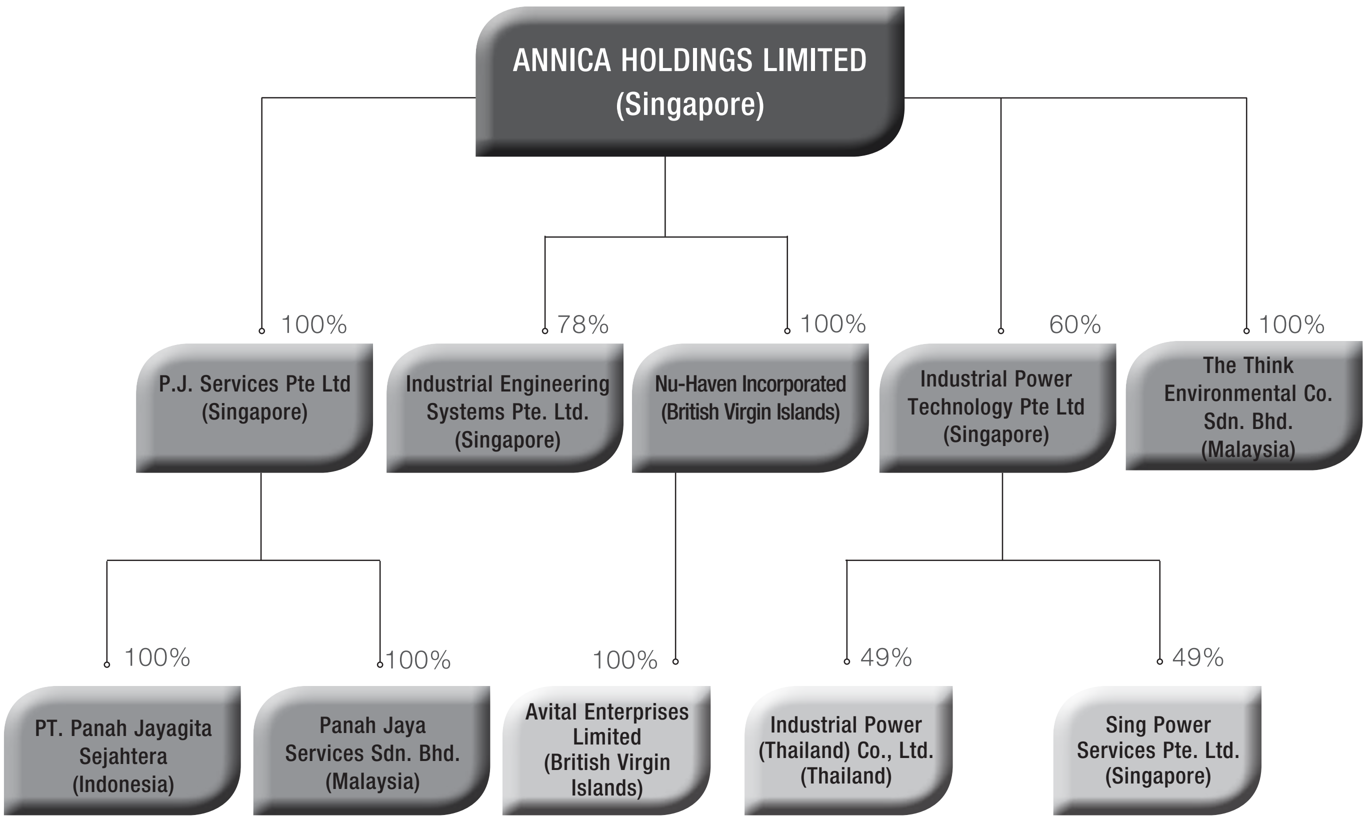
As Chairman of the Board, it remains for me to express my sincere appreciation to my fellow Directors for their invaluable contribution and continuous guidance.

Edwin Sugiarto
Chairman and Executive Director

CORPORATE PROFILE

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 solutions and as a designer, developer and integrator of biomass power plants.

CORPORATE STRUCTURE



COMPREHENSIVE INCOME STATEMENT

Revenue and Gross Profit

The Group posted revenue of $37.4 million in FY2013 which was an increase of $20.5 million from $16.9 million in FY2012. While 69% of the Group's revenue was from the biomass projects segment acquired at end of FY2012, revenue from the oil and gas equipment and engineering services contributed 28% and 3% respectively, of the Group's revenue. Gross profit in FY2013 increased from $2.7 million in FY2012 to $5.1 million in FY2013. Overall gross margin for the Group was 14%.

Other income

Other income in FY2013 amounted to $0.5 million. Decline in trading prices of the equity securities held by the Group upon disposal and changes in fair value of the Group's investment portfolio contributed to the decrease in other income of $6.9 million from $7.4 million reported in FY2012.

Selling and distribution expenses

The increase in selling and distribution expenses to $0.7 million in FY2013 was in tandem with the increase in the Group's revenue.

Administrative and general expenses

The Group's administrative and general expenses rose from $3.4 million in FY2012 to $5.5 million in FY2013. The increase of $2.1 million was mainly a result of the inclusion of the biomass projects business in FY2013.

Other expenses

Included in other expenses of $13.2 million in FY2013 were (i) trading losses and unrealised fair value loss on investments in financial assets, at fair value through profit or loss, of $7.1 million. The unrealised fair value loss arose from measuring equity securities held by the Group at quoted market price as at FY2013; (ii) impairment losses on the financial assets of $1.2 million which was recognised due to prolonged decline in the market value of the financial assets from their acquisition cost. These unrealised fair value adjustments were accounted for pursuant to relevant accounting principles to reduce the value of the investments to the market bid-price; (iii) impairment loss adjustment and amortisation of intangible assets associated with the acquisitions of subsidiaries of $4.8 million and; (iv) foreign exchange loss of $0.1 million.

Finance costs

Finance costs of $0.02 million in FY2013 arose from interest expenses on bank borrowings, trust receipts and finance leases.

Other comprehensive losses

Other comprehensive losses of $3.6 million were from net changes in fair value of available-for-sale financial assets as a result of recognising unrealised fair value loss and reclassification from fair value reserve on disposal of the financial assets and currency translation differences arising from translating net assets of the Group's foreign operations from their functional currency to the Group's presentation currency which is in Singapore dollars.

FINANCIAL REVIEW

FINANCIAL POSITION

Current assets

Current assets of the Group stood at $24.7 million as at FY2013. The decrease of $1.3 million from $26.0 million as at FY2012 was primarily from the decrease in investments in financial assets, at fair value through profit or loss following disposals and unrealised fair value loss adjustments, partially offset by higher inventories, trade receivables and deposits and loans to an associated company. The investments in the financial assets, comprising a portfolio of equity securities listed on the Singapore Exchange and Bursa Malaysia, were stated at the quoted bid price as at FY2013.

Non-current assets

As at FY2013, the Group's non-current assets were $12.4 million comprising investments in available-for-sale financial assets, associated companies and property, plant and equipment held by the Group and intangible assets associated with the acquisitions of subsidiaries. During FY2013, the Group acquired leasehold properties in Singapore and Malaysia which explained the increase in property, plant and equipment. Available-for-sale financial assets were quoted equity securities measured at quoted market price as at the end of the financial year. Decline in quoted market prices of equity securities leading to unrealised fair value loss adjustment and impairment loss adjustment and amortisation of intangible assets, partially offset by the acquisition of leasehold properties, contributed to the net decrease of $6.3 million from the Group's non-current assets of $18.7 million as at FY2012.

Current liabilities

The Group reported current liabilities of $12.6 million as at FY2013. There was a marginal decrease from $12.6 million in FY2012 arising from adjustment for overprovision of income tax liabilities and lower trade payables, partially offset by financing taken up on the purchase of properties in Malaysia and a motor vehicle.

Non-current liabilities

Non-current liabilities of the Group was higher at $0.4 million as at FY2013 compared to $0.2 million as at FY2012 with the increase in non-current portion of the finance lease and borrowings recorded as at FY2013.

Shareholders' equity

Capital and reserves attributable to equity holders of the Company was $22.6 million as at FY2013. This was a decrease of $7.7 million from $30.3 million as at FY2012 due to net losses for the financial year and unrealised fair value loss adjustment taken directly to fair value reserves relating to the investments in available-for-sale financial assets, partially offset by capital raised from the issuance of Rights Shares.

CASH FLOWS

As at FY2013, the Group held a cash balance of $2.1 million, a decrease of $2.1 million from $4.2 million as at FY2012.

The proceeds from the Rights Shares were the main source of financing the Group's operations and the acquisition of a leasehold property. Cash used in operating activities arose mainly from higher trade receivables balance and deposits, increase in investments in financial assets, at fair value through profit or loss and increase in inventories.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Edwin Sugiarto
(Chairman and Executive Director)

Nicholas Jeyaraj s/o Narayanan
(Non-Independent and Non-Executive Director)

Augustine A/L T.K. James
(Independent and Non-Executive Director and Lead Independent Director)

Goh Hin Calm
(Independent and Non-Executive Director)

Ong Su Aun Jeffrey
(Independent and Non-Executive Director)

N. Sivagurunathan V. Narayanasamy
(Independent and Non-Executive Director)

COMPANY SECRETARY
Ong Sing Huat

AUDIT COMMITTEE
Augustine A/L T.K. James *(Chairman)*
Goh Hin Calm
N. Sivagurunathan V. Narayanasamy
Ong Su Aun Jeffrey

NOMINATING COMMITTEE
N. Sivagurunathan V. Narayanasamy *(Chairman)*
Augustine A/L T.K. James
Goh Hin Calm
Ong Su Aun Jeffrey

REMUNERATION COMMITTEE
Ong Su Aun Jeffrey *(Chairman)*
Augustine A/L T.K. James
Goh Hin Calm
N. Sivagurunathan V. Narayanasamy

AUDITOR
RT LLP
(formerly known as LTC LLP)
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)

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

REGISTERED OFFICE
9 Temasek Boulevard #41-01
Suntec Tower 2
Singapore 038989
Telephone number: 6336 0123
Fax number: 6332 1480

SOLICITORS
Stamford Law Corporation
Robert Wang & Woo LLC

INTERNAL AUDITOR
Baker Tilly TFW LLP

PRINCIPAL BANKER
DBS Bank Ltd

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.

Augustine A/L T.K. James

Independent and Non-Executive Director, Lead Independent Director

Augustine was appointed to the Board on 30 April 2013 as the Independent and Non-Executive Director and Lead Independent Director. Augustine is a Chartered Accountant with the Malaysian Institute of Accountants and a Certified Public Accountant with the Malaysian Association of Certified Public Accountants. Armed with more than 30 years of experience in public accounting practice, he handled various High Court of Malaysia appointed receivership assignments. Augustine is currently managing the firm of Messrs James & Co in Malaysia and his professional practice covers auditing, accounting, secretarial, taxation and receivership services. Augustine is also an Independent and Non-Executive Director of Xian Leng Holdings Berhad listed on the Main Board of Bursa Malaysia Securities Berhad.

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. Jeffrey's other directorships in listed entities include: Independent and Non-Executive Director of China Powerplus Limited which is listed on the Mainboard of the SGX-ST and Independent and Non-Executive Director of CW Group Holdings Limited, a company listed on the Mainboard of the Stock Exchange of Hong Kong.

N. Sivagurunathan V. Narayanasamy

Independent and Non-Executive Director

As the Independent and Non-Executive Director appointed to the Board on 30 April 2013, Siva is an Advocate and Solicitor of the High Court of Malaysia and he is the Senior Partner with Messrs Shamiah K.E. Ng & Siva, Advocate & Solicitors in Malaysia. Siva specialises in financial restructuring exercises. He holds a LLB (Honours) from the University of London, United Kingdom and a Bachelor of Arts (Honours) in Human Resource Management & Political Science from National University of Malaysia.

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 University of Leeds, England and a Master of Business Administration from the University of Strathclyde Graduate Business School, Scotland. He has more than 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, specialises in oil and gas equipment sale for onshore and offshore production platforms, vessels and pipelines, as well as involves in the business development of new agency products and services.

Pek Seck Wei

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

Seck Wei is a co-founder of IES and has vast experience in the oil and gas industry. He is the General Manager of IES responsible for the management and development of the business of sale of oilfield equipment and 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 specialised in designing and building of timber drying kilns and has 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 Company and its subsidiaries to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company believes that, the Code of Corporate Governance 2012 (the "**Code**") serves as a practical guide in defining duties and responsibilities of the Board.

This Report describes the Company's corporate governance practices with specific reference to the Code. Where there are deviations from the Code, appropriate explanations are provided.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the requirements of the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Effective Board to lead and control the Company

The primary role of the Board is to lead and control the Company's operations and affairs and to protect and enhance shareholders' value. The Board oversees the management of the business, is responsible for the overall performance of the Group, determines the Group's corporate strategies and sets directions and goals. It is also responsible for the overall corporate governance compliance of the Group.

To facilitate effective management and support the Board in its duties, certain functions have been delegated to various Committees, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee.

During the financial year, two new directors joined the Board, and the Board and the Company Secretary provided briefings to the new directors on their duties and responsibilities as a director in Singapore as well as continuing listing obligations pursuant to the Catalist Rules. These new directors were also briefed by the Chairman of the Board on the Company's overall businesses and operations and its management structure.

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.

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

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Edwin Sugiarto	3	3	2	2^	3	3^	2	2^
Nicholas Jeyaraj s/o Narayanan	3	2	2	1^	3	2^	2	1^
Goh Hin Calm	3	3	2	2	3	3	2	2
Ong Su Aun Jeffrey	3	2	2	1	3	2	2	1
Augustine A/L T.K. James*	3	1	2	1	3	1	2	1
N. Sivagurunathan V. Narayanasamy*	3	1	2	1	3	1	2	1
Tan Soo Khoon Raymond#	3	1	2	1	3	1	2	1
Lim Meng Check@	3	–	2	–	3	–	2	–

^ Attendance by invitation of the Committee.

* Appointed on 30 April 2013. No. of meetings attended is tabulated after date of appointment.

\# Retired at the Annual General Meeting on 30 April 2013. No. of meetings attended is tabulated prior to date of retirement.

@ Resigned on 31 January 2013. No meetings were held between the beginning of the financial year and date of resignation.

For the financial year ended 31 December 2013, there were new appointments to the Board. Mr. Augustine A/L T.K. James and Mr. N. Sivagurunathan V. Narayanasamy were appointed as Independent and Non-Executive Directors on 30 April 2013 pursuant to Article 108 of the Articles of Association of the Company and attended the various Board meetings, Audit Committee Meetings, Nominating Committees and Remuneration Committee held after their respective date of appointment.

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 four Independent and Non-Executive Directors:

CORPORATE GOVERNANCE
STATEMENT

Name of Director	Appointment	Date of Appointment	Audit Committee	Nominating Committee	Remuneration Committee
Edwin Sugiarto	Chairman and Executive Director	24 June 2009	–	–	–
Nicholas Jeyaraj s/o Narayanan	Non-Independent and Non-Executive Director	10 July 2008 (re-elected on 29 April 2011)	–	–	–
Goh Hin Calm	Independent and Non-Executive Director	22 July 2008 (re-elected on 30 April 2012)	Member	Member	Member
Ong Su Aun Jeffrey	Independent and Non-Executive Director	9 July 2008 (re-elected on 29 April 2011)	Member	Member	Chairman
Augustine A/L T.K. James	Independent and Non-Executive Director	30 April 2013	Chairman	Member	Member
N. Sivagurunathan V. Narayanasamy	Independent and Non-Executive Director	30 April 2013	Member	Chairman	Member

The Board comprises individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary, such as accounting, finance, business and management experience and the legal field. The mix of experience, competence and knowledge provide direction, oversight and supervision of the Company. Please refer to 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 and 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 have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be perceived to interfere, with the exercise of their independent business judgment in the best interest of the Company.

Chairman and Chief Executive Officer ("CEO")

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

Mr. Edwin Sugiarto is currently the Chairman and Executive Director of the Company. The Chairman is responsible in ensuring that the board meetings are held when necessary, assisting in the integrity and effectiveness of compliance with corporate governance guidelines.

As the Chairman of the Group, Mr. Edwin Sugiarto is 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. Mr. 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.

The Board is of the view that with the establishment of the three Board committees and the current Board's composition, it is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up and there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual. The Board taking into account the nature and scope of the Company's operation and the impact of the number of Directors for effectiveness in decision making, is of the view that the current board size of six Directors, is appropriate.

The appointments of Mr. Augustine A/L T.K. James and Mr. N. Sivagurunathan V. Narayanasamy as new additional Independent and Non-Executive Directors to the Board further augment the strong independent element to its composition.

Board Membership

Principle 4: Formal and transparent process for appointment of new Directors to the Board

The Nominating Committee ("**NC**") comprises four Directors, all of whom are Independent and Non-Executive Directors. The role of the Nominating Committee ("NC") is to make recommendations to the Board on all Board appointments. The NC is scheduled to meet at least once a year.

The NC comprises the following members, all of whom, including the Chairman, are independent:

Mr. N. Sivagurunathan V. Narayanasamy	(Chairman of NC, Independent and Non-Executive Director)
Mr. Ong Su Aun Jeffrey	(Member of NC, Independent and Non-Executive Director)
Mr. Goh Hin Calm	(Member of NC, Independent and Non-Executive Director)
Mr. Augustine A/L T.K. James	(Member of NC, Independent and Non-Executive Director)

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 stap perspective to enable balanced and well-considered decisions to be made.

The NC ensures that there is a formal and transparent process for all appointments to the Board. Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position before recommending any candidate to the Board.

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

The NC, after discussion with the Directors, is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group notwithstanding that some of the Board members have multiple board representations. The NC has not made a recommendation on the maximum number of listed company board representations which any director may hold and will do so as and when such needs arise. The NC will continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The independence of each Director is reviewed by the NC with reference to the guidelines set out in the Singapore Corporate Governance Code. The NC had assessed the independence of the Directors and is satisfied that there are no relationships which would deem any of the independent Directors not to be independent.

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 2013, 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.

Mr. Ong Su Aun Jeffrey, an Independent and Non-Executive Director of the Company, was appointed at the Annual General Meeting on 29 April 2011 and is due for retirement by rotation pursuant to Article 104 of the Articles of Association of the Company. Mr. Nicholas Jeyaraj s/o Narayanan, an Non-Independent and Non-Executive Director, was also appointed at the Annual General Meeting on 29 April 2011 and is due for retirement by rotation under the same Article 104. Both Mr. Ong Su Aun Jeffrey and Mr. Nicholas Jeyaraj s/o Narayanan, being eligible, have offered themselves for re-election at the upcoming Annual General Meeting.

Mr. Augustine A/L T.K. James and Mr. N. Sivagurunathan V. Narayanasamy whom were appointed as Independent and Non-Executive Directors on 30 April 2013 shall hold office until the upcoming Annual General Meeting and pursuant to Article 108 of the Articles of Association of the Company are eligible for re-election. Both have offered themselves for re-election at the upcoming Annual General Meeting.

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 evaluates the performance of the Board, Board Committees and individual Directors based on performance criteria set by the Board.

The criteria for assessing the Board's and Board Committees' performance include composition and size, processes, accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance to and communication with Management. The criteria for assessing individual Director's contribution include, *inter alia*, the level of contribution to Board meetings, commitment of time, and overall effectiveness. As part of the evaluation process, the Directors will complete appraisal forms which are then collated by the Company Secretary who will submit to the Chairman of the NC in the form of a summary report. The summary report will be discussed during the NC meeting with a view to implementing recommendations to further enhance the effectiveness of the Board.

The NC has reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. For the current year, the Board is satisfied that each individual Director has allocated sufficient time and resources to the affairs of the Company and are of the view that the performance of each Director has been satisfactory.

The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs. Each of the Directors has confirmed to the Board that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

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. The Directors have unrestricted access to the Company's records and information, and direct contact with management and the Company Secretary.

Board papers and meeting agendas 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.

The Board also has independent access to the Company Secretary, who provides the Board with regular updates on the requirements and ensuring that Board procedures as well as applicable rules and regulations are followed. The Company Secretary is present at all formal Board meetings to respond to the queries of any Director. Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board will concur to seek independent professional advice.

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.

The RC comprises the following members:

Mr. Ong Su Aun Jeffrey	(Chairman of RC, Independent and Non-Executive Director)
Mr. Augustine A/L T.K. James	(Member of RC, Independent and Non-Executive Director)
Mr. N. Sivagurunathan V. Narayanasamy	(Member of RC, Independent and Non-Executive Director)
Mr. Goh Hin Calm	(Member of RC, Independent and Non-Executive Director)

The RC recommends to the Board, in consultation with the Chairman of the Board, a framework of remuneration for the Board and key executives, any long-term incentive schemes and to determine specific remuneration packages for each Executive Director and Key Executive. 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 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 and/or variable components. The fixed component is in the form of fixed monthly salary whereas the variable component is linked to the performance of the Group and the individual.

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

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attending, retaining and motivating employees. The Group subscribes to linking executive remuneration to corporate and individual performance based on annual appraisal of employees. The level and structure of remuneration of Directors and key management executives are aligned with the long-term interest and risk policies of the Company.

CORPORATE GOVERNANCE
STATEMENT

A breakdown showing the level and mix of remuneration paid/payable to each individual director or key executive for the financial year ended 31 December 2013 is as follows:–

	Directors' Fees %	Base/ Fixed Salary %	Variable or Performance Related Income/ Bonus %	Benefits in Kind %	Stock options and other long-term incentives %	Total %
Name of Director						
S$499,999 to S$1,000,000 and above						
None						
S$250,000 to S$499,999						
None						
Below S$250,000						
Edwin Sugiarto	Nil	92	8	Nil	Nil	100
Nicholas Jeyaraj s/o Narayanan	100	Nil	Nil	Nil	Nil	100
Goh Hin Calm	100	Nil	Nil	Nil	Nil	100
Ong Su Aun Jeffrey	100	Nil	Nil	Nil	Nil	100
Augustine A/L T.K. James^	100	Nil	Nil	Nil	Nil	100
N. Sivagurunathan V. Narayanasamy^	100	Nil	Nil	Nil	Nil	100
Tan Soo Khoon Raymond#	100	Nil	Nil	Nil	Nil	100
Lim Meng Check@	Nil	Nil	Nil	Nil	Nil	Nil

^ appointed on 30 April 2013

retired at the Annual General Meeting on 30 April 2013

@ resigned on 31 January 2013

	Base/Fixed Salary %	Variable of Performance Related Income/ Bonus %	Benefits in Kind %	Stock options and other long-term incentives %	Total %
Name of Key Management Executives					
S$499,999 to S$1,000,000 and above					
None					
S$250,000 to S$499,999					
Hoon Cheong Kong, Danny *(Chief Executive Officer, Industrial PowerTechnology Pte Ltd)*	90	10	Nil	Nil	100
Below S$250,000					
Mohd Nor Azmi Nordin *(Managing Director, P.J. Services Pte Ltd and subsidiaries)*	82	18	Nil	Nil	100
Peck Seck Wai *(General Manager, Industrial Engineering Systems Pte Ltd)*	92	8	Nil	Nil	100

There are no termination, retirement and any post-employment benefits that would accrue or be due to any Director or key employer upon their termination, dismissal or retirement from the Company or the Group.

The Company has three key management executives for FY2013. In aggregate, the total remuneration paid to them during the financial year ended 31 December 2013 was approximately S$680,000.

There was no employee in the Group who is an immediate family member of a Director whose remuneration exceeded S$50,000 during the financial year under review.

For the year ended 31 December 2013, 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 2013.

CORPORATE GOVERNANCE STATEMENT

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.

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.

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 Mr. Ong Su Aun Jeffrey (Chairman), Mr. Augustine A/L T.K. James, Mr. Goh Hin Calm and Mr. N. Sivagurunathan V. Narayanasamy.

During the financial year ended 31 December 2013, no option to take up unissued shares of the Company or of any corporation in the Group was granted.

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 Board aims to provide a balanced and understandable assessment of the Group's financial performance, and recognises the need to communicate with shareholders on all matters affecting the Group's performance, position and prospects. The Company provides information pertaining to the operations, performance and financial position of the Group to all shareholders through announcements on the SGXNET and the Company's Annual Report.

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.

Audit Committee

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

The Audit Committee ("**AC**") performs its functions in accordance with Section 201B(5) of the Companies Act, Cap.50 and the requirements of the Catalist Rules.

The AC comprises the following members:

Mr. Augustine A/L T.K. James	(Chairman of AC, Independent and Non-Executive Director)
Mr. Goh Hin Calm	(Member of AC, Independent and Non-Executive Director)
Mr. N. Sivagurunathan V. Narayanasamy	(Member of AC, Independent and Non-Executive Director)
Mr. Ong Su Aun Jeffrey	(Member of AC, Independent and Non-Executive Director)

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:

- review 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;
- review the financial statements of the Group before their submission to the Board, and before their announcement;
- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- review the cost effectiveness and the independence and objectivity of the external auditors;
- review the nature and extent of non-audit services provided by the external auditors;
- review the assistance given by the Group's officer to the auditors;

- nominate external auditors for re-appointment;

- review 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;

- review interested person transactions in accordance with the requirements of the Catalist Rules; and

- review the adequacy of the Group's internal controls.

The AC has power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC has been given full access to and co-operation of the Company's management and has reasonable resources to enable it to discharge its function properly.

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.

For the year ended 31 December 2013, 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 re-appointment of RT LLP (formerly known as LTC LLP) as the external auditors of the Company at the forthcoming Annual General Meeting.

The Company has complied with Rule 712, 715 and 716 of the Catalist Rules in relation to the appointment of its external auditors and are audited by RT LLP.

The aggregate amount of audit fees and non-audit fee paid and/or payable to the auditors, RT LLP, for the financial year ended 31 December 2013 amounted to approximately S$129,000 and $9,000, respectively.

There were no interested party transactions that were more than S$100,000 during the financial year ended 31 December 2013. Interested party transactions are disclosed in Note 29 to the financial statements.

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 mis-statement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

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.

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

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

The external auditors update the AC on the changes in accounting standards which may have a direct impact on financial statements during AC meeting.

Based on the internal auditors' report, work performed by the external auditors and various controls implemented by the management, the Board, with the concurrence of the AC, are satisfied with the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management system.

Internal Audit

Principle 13: Setting up independent internal audit function

The Company outsources its internal audit function and the internal auditors report primarily to the AC.

The AC approves the appointment, evaluation and fees of the internal audit firm. The AC reviews the adequacy and effectiveness of the internal audit function yearly. The internal auditors have unfettered access to the Group's documents, records, properties and personnel, including access to the AC as needed in order to carrying out their work.

The AC approves the internal audit plan. The AC also reviews the internal audit reports and follow-up actions. The AC is of the view that the internal audit function is adequately resourced to perform its functions and has, to the best of its ability, maintained its independence from the activities that it audits.

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 raise 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. All pertinent and material information on the Company is disseminated via SGXNET.

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. At the Company's AGM, shareholders are given the opportunity to clarify issues or share their views regarding the proposed resolutions and the Group's businesses. If any shareholder is unable to attend, he is allowed to appoint proxies to vote on his behalf at the meeting through proxy forms sent in advance.

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.

The external auditors are in attendance at the AGM to assist the Directors to address shareholders' queries, if necessary.

DEALINGS IN THE COMPANY'S SECURITIES

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 full-year and half-year results and ending on the date of announcement of the relevant results; and

- at any time while in possession of material unpublished price-sensitive information.

Directors are required to report securities dealings to the Company Secretary who will assist to make the necessary announcements. Employees are also required to report securities dealings to the Company, all these have been established to effectively monitor the dealings of these parties in the securities of the Group. The Directors and officers are also directed to refrain from dealing in listed securities of the Group 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 businesses 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.

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 Catalist 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 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.

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 any dividend distribution to the Shareholders for the financial year ended 31 December 2013.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder during the year under review.

Utilisation of Proceeds

<u>Rights Shares Net Proceeds</u>

During FY2013, the Company successfully 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 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 Rights Shares were fully subscribed and listed and quoted for trading on 16 January 2013. As of the date of this announcement, the utilisation of the net proceeds from the Rights Shares of S$9,565,000 ("**Rights Shares Net Proceeds**") is as follows:

Purpose	Amount $'million	Percentage of Right Shares Net Proceeds
Funding the operations of the Company's subsidiaries(1)	4.0	
Deposited as fixed deposit(2)(4)	1.5	74%
Investment in short-term money market instruments(4)	1.5	
General working capital of the Company(3)	1.0	10%
Cash consideration for the acquisition of a leasehold property	1.5	16%
Total	9.5	100%

Note:

(1) Funds used for the operations of the Company's subsidiaries were for payments to suppliers and operating expenses including staff salaries.

(2) The fixed deposit is pledged as collateral to secure banking facility for the Company's subsidiaries.

(3) Funds used for general working capital of the Company were operating expenses including staff salaries and legal and professional fees.

(4) Pending deployment, these have been deposited as fixed deposit and invested in short-term money market instruments. The Company will make further announcements when these are utilised for the funding of the operations of the Company's subsidiaries.

Other than the above, there were no changes in the Company's share capital arising from bonus issue, share buy-backs, exercise consideration for acquisition or for any other purpose since the end of the previous financial year reported.

Convertible Securities

There are no shares that may be issued on conversion of any outstanding convertibles as at the end of the current financial year and as at the end of the immediate preceding financial year.

Treasury Shares

The Company has no treasury shares as at the end of the current financial year and as at the end of the immediate preceding financial year.

Non-sponsor fees

In compliance with Rule 1204(21) of the Catalist Rules there is Nil non-sponsor fees paid to the Company's sponsor, Stamford Corporate Services Pte Ltd, during the financial year ended 31 December 2013.

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the statement of financial position of the Company as at 31 December 2013.

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. Augustine A/L T.K. James – appointed on 30 April 2013
Mr. N. Sivagurunathan V. Narayanasamy – appointed on 30 April 2013

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:

	Number of ordinary shares					
	Direct			Deemed		
Name of directors and companies in which interests are held	At beginning of year	At end of year	At 21 January 2014	At beginning of year	At end of year	At 21 January 2014
The Company						
Mr. Edwin Sugiarto	54,134,900	108,269,800	108,269,800	–	–	–

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.

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, RT LLP (formerly known as LTC LLP), has expressed its willingness to accept re-appointment.

On behalf of the directors

Edwin Sugiarto
Director

Nicholas Jeyaraj s/o Narayanan
Director

Singapore, 11 April 2014

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2013

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group 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 2013, 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, 11 April 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANNICA HOLDINGS LIMITED

For the financial year ended 31 December 2013

Report on the Financial Statements

We have audited the accompanying financial statements of Annica Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, 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.

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 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of matter

We draw your attention to Note 34 to the financial statements, the Company announced on the Singapore Exchange on 4 April 2014, that it has received a notice dated 3 April 2014 from the Commercial Affairs Department ("CAD") stating that it is conducting investigations into an offence under the Securities and Futures Act (Cap. 289) and that it requires access to the following for the period from 1 January 2011 to 3 April 2014:

(i) all records pertaining to securities trading;

(ii) all records in relation to accounts held with financial institutions;

(iii) all corporate electronic data, information technology equipment and data storage devices belonging to the current directors and Mr. Lim Meng Check; and

(iv) any other relevant documents.

Mr. Edwin Sugiarto, the Company's Chairman and Executive Director, was interviewed by CAD officers in relation to its investigations. Mr. Goh Hin Calm, an Independent and Non-Executive Director of the Company, is assisting the CAD with its investigations.

The Company's subsidiaries, Industrial Power Technology Pte Ltd ("**IPT**") and P.J. Services Pte Ltd ("**PJ**"), have also each received a similar notice dated 3 April 2014 from the CAD, requiring them to provide the CAD with access to the following for the period from 1 January 2011 to 3 April 2014:

(a) in the case of IPT:

  (i) all corporate electronic data, information technology equipment and data storage devices belonging to Mr. Edwin Sugiarto; and

  (ii) any other relevant documents; and

(b) in the case of PJ:

  (i) all corporate electronic data, information technology equipment and data storage devices belonging to Mr. Lim Meng Check and Mr. Edwin Sugiarto; and

  (ii) any other relevant documents.

Mr. Lim Meng Check was the previous Chief Executive Officer and Executive Director of the Company and was also previously a director of PJ. He resigned from the Company and PJ on 31 January 2013.

The CAD has not given the Company any further details of its investigations.

Therefore, we are not able to ascertain the impact, if any, to the Company and the Group and to their operations and furthermore the implications of such investigations, if any, to the financial statements of the Company and of the Group.

Our opinion is not qualified in respect of the above matter.

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.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 11 April 2014

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
ASSETS					
Current assets:					
Cash and cash equivalents	4	2,050	4,183	70	83
Fixed deposits	5	1,784	483	1,500	–
Trade and other receivables	6	15,802	10,457	644	249
Other current assets	7	1,785	950	5,221	5,313
Inventories	8	1,861	1,333	–	–
Financial assets, at fair value through profit or loss	9	1,411	8,636	1,411	8,636
		24,693	26,042	8,846	14,281
Non-current assets:					
Investments in subsidiaries	10	–	–	10,839	15,238
Investments in associated companies	11	49	31	–	–
Available-for-sale financial assets	12	2,365	6,864	1,225	–
Property, plant and equipment	13	3,671	665	2,769	66
Deferred income tax assets	14	–	12	–	–
Trade receivables	6	130	122	–	–
Intangible assets	15	6,187	11,032	–	–
		12,402	18,726	14,833	15,304
Total assets		**37,095**	**44,768**	**23,679**	**29,585**
LIABILITIES					
Current liabilities:					
Trade and other payables	16	11,682	11,745	1,819	1,204
Borrowings	17	645	488	38	–
Current income tax liabilities		229	377	–	–
		12,556	12,610	1,857	1,204
Non-current liabilities:					
Borrowings	17	406	219	124	–
Total liabilities		**12,962**	**12,829**	**1,981**	**1,204**
Net assets		**24,133**	**31,939**	**21,698**	**28,381**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	54,224	44,659	54,224	44,659
Accumulated losses		(30,550)	(16,803)	(32,526)	(16,278)
Other reserves	19	(1,103)	2,465	–	–
		22,571	30,321	21,698	28,381
Non-controlling interests		1,562	1,618	–	–
Total equity		**24,133**	**31,939**	**21,698**	**28,381**

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000
Revenue	20	37,421	16,958
Cost of sales		(32,305)	(14,292)
Gross profit		5,116	2,666
Other income	21	461	7,451
Selling and distribution expenses		(676)	(310)
Administrative and general expenses		(5,575)	(3,430)
Other expenses	22	(13,213)	(2,499)
Finance costs	23	(25)	(37)
Share of loss of associated companies	11	(117)	–
(Loss)/profit before income tax	24	(14,029)	3,841
Income tax credit/(expense)	25	53	(15)
Net (loss)/profit for the financial year		(13,976)	3,826
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(193)	(61)
Fair value (loss)/gains on available-for-sale financial assets	19	(3,238)	4,712
Reclassification adjustment on disposal of available-for-sale financial assets	19	(137)	(689)
Other comprehensive (loss)/income, net of tax		(3,568)	3,962
Total comprehensive (loss)/income		(17,544)	7,788
Net (loss)/profit attributable to:			
Equity holders of the Company		(13,747)	3,709
Non-controlling interests		(229)	117
		(13,976)	3,826
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(17,315)	7,671
Non-controlling interests		(229)	117
		(17,544)	7,788
(Loss)/Earnings per share attributable to equity holders of the Company			
– Basic and diluted (in cents)	26	(1.07)	0.63

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Attributable to equity holders of the Company							
	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group								
Balance as at 1 January 2013	44,659	(1,389)	(88)	3,942	(16,803)	30,321	1,618	31,939
Shares issued during the financial year	9,842	–	–	–	–	9,842	–	9,842
Share issue expenses	(277)	–	–	–	–	(277)	–	(277)
Capital contribution by non-controlling interests	–	–	–	–	–	–	173	173
Total comprehensive loss for the financial year	–	–	(193)	(3,375)	(13,747)	(17,315)	(229)	(17,544)
Balance as at 31 December 2013	54,224	(1,389)	(281)	567	(30,550)	22,571	1,562	24,133
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 interests	–	–	–	–	–	–	979	979
Total comprehensive income/(loss) for the financial year	–	–	(61)	4,023	3,709	7,671	117	7,788
Balance as at 31 December 2012	44,659	(1,389)	(88)	3,942	(16,803)	30,321	1,618	31,939

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Group	
	2013	2012
	$'000	$'000
Cash flows from operating activities:		
Net (loss)/profit for the financial year	(13,976)	3,826
Adjustments for:		
Income tax (credit)/expense	(53)	15
Depreciation expense on property, plant and equipment	332	80
Interest expense	25	37
Interest income	(23)	(11)
Loss/(gain) on disposal of financial assets at fair value through profit or loss	2,486	(1,076)
Fair value loss/(gain) on financial assets at fair value through profit or loss	4,585	(4,203)
Impairment loss on available-for-sale financial assets	1,224	–
Gain on disposal of plant and equipment	(17)	–
Gain on disposal of available-for-sale financial assets	(41)	(1,790)
Amortisation of intangible assets	2,345	–
Impairment loss on goodwill arising from acquisition of a subsidiary	2,500	2,468
Share of loss of associated companies	117	–
Gain on bargain purchase on acquisition of a subsidiary	(95)	–
Gain on discounting of long-term trade receivables	(38)	(26)
	(629)	**(680)**
Changes in working capital:		
Financial assets, at fair value through profit or loss	(811)	(1,332)
Trade and other receivables and other current assets	(6,294)	1,705
Inventories	(528)	533
Trade and other payables	(165)	(322)
Cash used in operations	(8,427)	(96)
Income tax paid	(17)	(85)
Net cash used in operating activities	**(8,444)**	**(181)**
Cash flows from investing activities:		
Net cash inflow from acquisition of a subsidiary (note 10)	13	2,467
Receipt of interest	23	11
Purchases of available-for-sale financial assets	(148)	(1,559)
Proceeds from disposal of available-for-sale financial assets	90	207
Investment in associated companies	(49)	–
Purchases of property, plant and equipment	(2,023)	(20)
Proceeds from disposal of plant and equipment	38	–
Net cash (used in)/generated from investing activities	**(2,056)**	**1,106**

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Group	
	2013	2012
	$'000	$'000
Cash flows from financing activities:		
Proceeds from issuance of shares	9,842	3,990
Share issue expenses	(277)	(25)
Capital contribution from non-controlling interests	173	–
Decrease in trust receipts, net	(34)	(1,503)
Repayment of bank borrowings	(9)	–
(Repayment to)/advance from related parties	(20)	76
Increase in fixed deposit pledged as security for banking facilities, net	(1,301)	(74)
Repayment of finance leases	(83)	(67)
Interest paid	(25)	(37)
Net cash generated from financing activities	**8,266**	**2,360**
Effects of foreign currency translation on cash and cash equivalents	**(46)**	**(61)**
Net (decrease)/increase in cash and cash equivalents	(2,280)	3,224
Cash and cash equivalents at beginning of the financial year	4,183	959
Cash and cash equivalents at end of the financial year	1,903	4,183

OTHER MAJOR NON-CASH TRANSACTIONS:

During the financial year ended 31 December 2013, the Group:

(i) acquired a motor vehicle with an aggregate cost of $290,000 of which $200,000 was acquired by means of a finance lease agreement. Cash payment of $90,000 was made to acquire the motor vehicle;

(ii) acquired a leasehold factory in Singapore for a consideration of $2,570,000, satisfied by cash payment of $1,566,000 and non-cash consideration of $1,004,000;

(iii) acquired two leasehold shop units in Malaysia for a consideration of $211,000 of which cash payment of $78,000 was made and $133,000 was financed by bank borrowings; and

(iv) increased its investment in an associated company by capitalising $86,000 owing by the associated company to the Group.

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

The accompanying notes form an integral part of these financial statements

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 Catalist board of 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 2013 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 2013

On 1 January 2013, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Revenue recognition (Cont'd)

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

(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.

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 or business 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

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 and associated companies" 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.

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 and associated companies" 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.

2.4 Property, plant and equipment

(a) Measurement

Property, 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 property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of property, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (Cont'd)

(b) Depreciation

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

Leasehold properties	–	over the remaining terms of the lease
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 property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

(c) Subsequent expenditure

Subsequent expenditure relating to property, 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 property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.5 Intangible assets

(a) 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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Intangible assets (Cont'd)

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Acquired customer's projects

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

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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies 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) Intangible assets – Goodwill on acquisitions

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.

(b) Intangible assets – acquired customers' contracts
Property, plant and equipment
Investments in subsidiaries and associated companies

Intangible assets – acquired customers' contracts, property, plant and equipment and investments in subsidiaries and associated companies 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Intangible assets – acquired customers' contracts
Property, plant and equipment
Investments in subsidiaries and associated companies (Cont'd)

An impairment loss for an asset 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 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (Cont'd)

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial assets (Cont'd)

(e) Impairment (Cont'd)

(i) Loans and receivables (Cont'd)

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.

2.10 Borrowings

Borrowings 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Fair value estimation of financial assets and liabilities (Cont'd)

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.

(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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Currency translation (Cont'd)

(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.

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, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position.

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 2013 was Nil (2012: $2,500,000).

An impairment charge of $2,500,000 (2012: $2,468,000) arose in the Industrial Engineering Systems Pte. Ltd. ("IES"), CGU during the financial year ended 31 December 2013, which reduced the carrying amount of goodwill allocated to IES CGU from $2,500,000 to Nil.

Construction contracts

The Group uses stage of completion often referred to 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 profit or loss 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 2013, the management does not expect 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.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

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

Impairment of trade and other receivables (Cont'd)

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 $452,000 (2012: $449,000) had been provided for. The carrying amount of trade and other receivables as at 31 December 2013 was approximately $15,932,000 (2012: $10,579,000).

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 2013, the Group and the Company recognised an impairment loss of approximately $1,224,000 and $3,640,000 (2012: Nil), respectively, against equity securities in Singapore whose trade prices had declined significantly below cost. Impairment loss at Company level has been adjusted to other comprehensive income due to intra- group transfer of available for sale financial assets in the Group.

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at bank and on hand	2,050	4,183	70	83

4 CASH AND CASH EQUIVALENTS (CONT'D)

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

	Group	
	2013	2012
	$'000	$'000
Cash and bank balances (as above)	2,050	4,183
Less: Bank overdraft (Note 17)	(147)	–
Cash and cash equivalents per consolidated statement of cash flows	1,903	4,183

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 6 months (2012: 1 to 5 months) from the end of the financial period with interest rates ranging from 0.01% to 3.05% (2012: 0.01% to 3.05%) per annum.

6 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current:				
Trade receivables:				
Non-related parties	11,432	6,445	–	–
Less: allowance for impairment	(452)	(449)	–	–
	10,980	5,996	–	–
Other receivables:				
– Subsidiaries				
– Management fee receivable (Note 29)	–	–	585	248
– Non-related parties	799	600	59	1
	799	600	644	249
Loan to a joint venture	–	–	–	–
Accrued interest receivable from a joint venture	–	–	–	–
Other amount due from a joint venture	–	–	–	–
Less: allowance for impairment	–	–	–	–
	–	–	–	–
Loan to a third party	617	735	–	–
Due from customers on construction contracts	3,406	3,126	–	
	15,802	10,457	644	249
Non-current:				
Trade receivables:				
Non-related party	130	122	–	–
	15,932	10,579	644	249

6 TRADE AND OTHER RECEIVABLES (CONT'D)

Gross amount due from/to on construction contracts:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Construction work-in-progress				
At beginning of financial year	1,904	–	–	–
Due to subsidiary acquired	–	1,904	–	–
Contract costs incurred	24,066	–	–	–
Contract expenses recognised in profit or loss	(24,023)	–	–	–
At end of financial year	1,947	1,904	–	–
Aggregate costs incurred	47,299	23,276	–	–
Add: Attributable profits	6,363	4,033	–	–
	55,609	29,213	–	–
Less: Progress billings	(53,661)	(28,330)	–	–
	1,948	883	–	–
Presented as:				
Due from customers on construction contracts	3,406	3,126	–	–
Due to customers on construction contracts(Note 16)	(1,458)	(2,243)	–	–
	1,948	883	–	–
Advance received on construction contracts(Note 16)	2,246	2,029	–	–
Retentions on construction contracts	–	–	–	–

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of financial year	449	541	–	–
Translation differences	3	–	–	–
Written off during the financial year	–	(4)	–	–
Recovered during the financial year	–	(88)	–	–
At end of financial year	452	449	–	–

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of financial year	–	1,186	–	2,362
Charge during the financial year	–	–	–	8
Written off during the financial year	–	(1,186)	–	(2,370)
At end of financial year	–	–	–	–

6 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

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

Other receivables

Included in other receivables of the Group is withholding tax paid by a subsidiary to Inland Revenue Board of Malaysia ("IRB") amounting to $548,000 (2012: $339,000). 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 had been fully impaired in 2011 and written off in 2012. The joint venture, Aretae EcoVentures Pte Ltd, in which the Group had 50% equity interest, had been dissolved in 2012 and the joint venture partner, Aretae Private Ltd, has been wound up by the Company subsequent to the end of the reporting period.

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 $130,000 (2012: $122,000) is computed based on cash flows discounted at market borrowing rate of 5.5% (2012: 5.5%).

7 OTHER CURRENT ASSETS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Other current assets:				
Advances to subsidiaries (Note 29)	–	–	5,213	5,132
Less: Allowance for impairment	–	–	–	–
	–	–	5,213	5,132
Advances to associated companies	667	–	–	
Deposits	982	768	–	–
Prepayments	136	182	8	181
	1,785	950	5,221	5,313

7 OTHER CURRENT ASSETS (CONT'D)

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of financial year	–	–	–	3,807
Reversal of allowance no longer required	–	–	–	(3,807)
At end of financial year	–	–	–	–

Advances to subsidiaries and associated companies

Advances to subsidiaries and associated companies are unsecured, repayable on demand and interest-free except for an advance to a subsidiary of $1,200,000 (2012: Nil) which bears interest of 6% (2012: Nil) per annum.

Deposits

Included in deposits are (i) $790,000 (2012: $400,000) which are placed with insurance companies for guarantees provided to banks in relation to the banking facilities granted to a subsidiary, Industrial Power Technology Pte Ltd ("Industrial Power") and; (ii) $155,000 (2012: $155,000) paid to an insurance company for the performance guarantee issued by Industrial Power to a project owner.

8 INVENTORIES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Finished goods	911	510	–	–
Goods in transit	950	823	–	–
	1,861	1,333	–	–

The cost of inventories recognised as an expense and included in "cost of sales" amounted to approximately $32,305,000 (2012: $14,292,000).

9 FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Held for trading:				
– Quoted equity securities in Singapore Exchange	1,211	8,636	1,211	8,636
Designated at fair value on initial recognition:				
– Unquoted securities: Singapore redeemable participating shares	200	–	200	–
	1,411	8,636	1,411	8,636

During the financial year, the Group recognised a net fair value loss on the quoted equity securities and unquoted securities directly in profit or loss of $3,285,000 and $1,300,000 respectively (2012: fair value gain of $4,203,000 and Nil, respectively) against the trade prices as at 31 December 2013.

10 INVESTMENTS IN SUBSIDIARIES

	Group 2013 $'000	Group 2012 $'000
Unquoted equity shares, at cost		
At beginning of year	20,418	10,418
Acquisitions during the year	616	10,000
At end of year	21,034	20,418
Less: Impairment loss	(10,195)	(5,180)
	10,839	15,238

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

	Group 2013 $'000	Group 2012 $'000
At beginning of financial year	5,180	–
Charge during the financial year	5,015	5,180
At end of financial year	10,195	5,180

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 $5,015,000 (2012: $5,180,000) was recognised 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 2013 %	Effective equity interest held by Group 2012 %
Industrial Engineering Systems Pte. Ltd.[(1)]	Designing of industrial plant engineering services systems and general wholesaler and trader	Singapore	78	78
P.J. Services Pte Ltd[(1)]	Trading in oilfield equipment and related products	Singapore	100	100
Nu-Haven Incorporated[(2)]	Investment holding	British Virgin Islands	100	100
Industrial Power Technology Pte Ltd[(1)]	Engineering, procurement and construction contractor for biomass power plant	Singapore	60	60
The Think Environmental Co. Sdn. Bhd.[(3)]	Specialist engineering, procurement and construction contractor for biomass power plant	Malaysia	100	–

10 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation and operations	Effective equity interest held by Group 2013 %	2012 %
Held by P.J. Services Pte Ltd:				
Panah Jaya Services Sdn. Bhd.(4)	Trading of oilfield parts and equipment	Malaysia	100	100
PT. Panah Jaya Sejahtera(5) (6)	Trading in oilfield equipment and related products	Indonesia	100	100
Held by Nu-Haven Incorporated:				
Avital Enterprises Limited(2)	Investment holding	British Virgin Islands	100	100

(1) Audited by RT LLP (formerly known as LTC LLP), Singapore

(2) Audited by Leong Ho & Associates, Malaysia

(3) Audited by Baker Tilly AC, Malaysia

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

(5) Audited by Doli, Bambang, Sulistiyanto, Dadang & Ali, Indonesia

(6) To facilitate the operation 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 de facto control over the subsidiaries.

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:

During the financial year ended 31 December 2013:

(a) the Company completed its acquisition of the 100% interest, comprising 100,000 ordinary fully paid shares, in the issued and paid-up share capital of The Think Environmental Co. Sdn. Bhd. ("TTEC"), a company incorporated in Malaysia, for a nominal consideration of $1. Gain on bargain purchase on acquisition of TTEC of $95,000 is recognised in the profit or loss.

10 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiary: (Cont'd)

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

	$'000
Trade and other receivables	138
Other current assets	17
Cash and cash equivalents	13
Plant and equipment	11
	179
Trade and other payables	84
	84
Net assets acquired	95
Gain on bargain purchase on acquisition	(95)
Total consideration	–#

Net cash inflow arising on acquisition:

	$'000
Total cash consideration for 100% equity interest acquired	–#
Cash and cash equivalent acquired	(13)
Net cash inflow arising on acquisition	13

Nominal amount of $1

Revenue and profit contribution:

The acquired subsidiary contributed revenue and net loss to the Group of Nil and $129,000, respectively, since the beginning of the financial year.

(b) Industrial Engineering Services Pte. Ltd. increased its issued and paid-up capital from $211,112 to $1,000,000 by the issuance of additional 788,888 new ordinary shares at the subscription price of $1 each. The Company subscribed for additional 616,210 ordinary shares for a consideration of $616,210 and the Company's 78% equity interest in Industrial Engineering Services Pte. Ltd. remains unchanged.

During the financial year ended 31 December 2012, 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.

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.

10 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiary: (Cont'd)

Goodwill on consolidation amounting to $8,532,000 was provisionally included in the carrying amount of the investment in Industrial Power. The amount of provisional goodwill recognised during the financial year ended 31 December 2012 was adjusted and recognised during the current financial year as intangible assets – customers' contracts.

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

	$'000
Trade and other receivables	4,272
Other current assets	573
Cash and cash equivalents	2,467
Plant and equipment	468
Investments in associated companies, net	31
	7,811
Trade and other payables	5,117
Finance lease liabilities	247
	5,364
Net assets acquired	2,447
Less: non-controlling interest	(979)
Provisional goodwill on consolidation (recognised as intangible assets – customers' contracts) (Note 15)	8,532
Total consideration	10,000

Net cash inflow arising on acquisition:

	$'000
Cash and cash equivalents acquired	2,467
Non cash consideration	7,533
Total consideration transferred	10,000

Revenue and profit contribution:

During the financial year ended 31 December 2012, Industrial Power 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 approximately $39,421,000 and $7,828,000 respectively.

11 INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2013 $'000	Group 2012 $'000
Unquoted equity shares, at cost		
At beginning of financial year	62	–
Due to subsidiary acquired, net (Note 10)	–	31
Additions during the financial year	135	–
Written off during the financial year	(31)	–
Share of losses	(117)	–
At end of financial year	49	31

Details of the associated companies are as follows:

Name of associated company	Principal activities	Country of incorporation and operations	Effective equity interest held by Group 2013 %	Effective equity interest held by Group 2012 %
Held by Industrial Power Technology Pte Ltd				
Industrial Power (Thailand) Co., Ltd.(1)	Engineering, procurement and construction projects	Thailand	49	49
Sing Power Services Pte. Ltd.(2)	Have not commenced operations	Singapore	49	–
Industrial Power Technology (Thailand) Co., Ltd.	Provision of marketing, after sales, engineering and construction services	Thailand	–	18

(1) Audited by Briskal Co., Limited, Thailand
(2) Audited by RT LLP (formerly known as LTC LLP), Singapore

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 associated companies would not compromise the standard and effectiveness of the audit of the Company.

During the financial year:

a. an associated company, Industrial Power Technology (Thailand) Co., Ltd has been written off as the associated company has been liquidated;

b. an associated company, Industrial Power (Thailand) Co., Ltd, called up the remaining unpaid share capital owned by the Group for an amount of $86,000, satisfied by way of capitalising the amount due by Industrial Power (Thailand) Co. Ltd., owing to Industrial Power Technology Pte Ltd; and

c. the Group incorporated and subscribed for 49% equity interest, representing 49,000 ordinary shares, in Sing Power Services Pte. Ltd., a company incorporated in Singapore, for a consideration of $49,000.

11 INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

The summarised financial information of associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2013	2012
	$'000	$'000
Total assets	1,725	470
Total liabilities	(1,911)	(355)
Revenue	1,294	631
Net (loss)/profit after income tax	(491)	1,093

The Group has not recognised its share of losses of an associated company amounting to $123,000 (2012: Nil) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to this entity amounting to $205,000 (2012: Nil) at the end of the reporting period. The Group has not recognised its share of equity in another associated company, Sing Power Services Pte. Ltd. as the amount is insignificant.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Quoted equity securities, at fair value	2,365	6,864	1,225	–
Unquoted equity securities	4,800	4,800	–	–
Less: impairment loss	(4,800)	(4,800)	–	–
	–	–	–	
	2,365	6,864	1,225	–

Quoted equity securities

During the financial year, the Group recognised:

(a) a fair value loss on quoted equity securities which was directly recognised in other comprehensive income of approximately $3,238,000 (2012: fair value gain of $4,712,000) against the trade prices as at 31 December 2013.

(b) impairment loss of $1,224,000 (2012: Nil) for quoted equity securities as there was more than 50% decline in the fair value of these investments below their costs.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

Unquoted equity securities

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

Name of unlisted equity security	Country of incorporation	Effective equity interest held by Group 2013 %	Effective equity interest held by Group 2012 %	Cost 2013 $'000	Cost 2012 $'000
China Data System Investments Pte Ltd	Singapore	19	19	4,800	4,800

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties $'000	Fixtures and fittings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Group					
Cost:					
As at 1 January 2012	–	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
Translation differences	–	(2)	(8)	–	(10)
Additions	2,859	70	141	280	3,350
Disposals	–	–	–	(61)	(61)
Due to subsidiary acquired	–	–	4	12	16
As at 31 December 2013	2,859	550	659	847	4,915
Accumulated depreciation:					
As at 1 January 2012	–	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
Translation differences	–	(1)	(7)	–	(8)
Additions	49	116	41	126	332
Disposals	–	–	–	(40)	(40)
Due to subsidiary acquired	–	–	2	3	5
As at 31 December 2013	49	459	470	266	1,244
Carrying amount:					
As at 31 December 2013	2,810	91	189	581	3,671
As at 31 December 2012	–	138	88	439	665

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold properties $'000	Fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
As at 1 January 2012 and 31 December 2012	–	62	169	231
Additions	2,570	–	280	2,850
Disposal	–	–	(61)	(61)
As at 31 December 2013	2,570	62	388	3,020
Accumulated depreciation:				
As at 1 January 2012	–	42	82	124
Additions	–	8	33	41
As at 31 December 2012	–	50	115	165
Additions	45	7	73	125
Disposals	–	–	(39)	(39)
As at 31 December 2013	45	57	149	251
Carrying amount:				
As at 31 December 2013	2,525	5	239	2,769
As at 31 December 2012	–	12	54	66

Leasehold properties of the Group, which were acquired during the financial year, include:

(i) a two-storey leasehold factory at 38 Kallang Place, Singapore occupying a land area of 1,034 square metres at cost of $2,570,000. The lease is for 60 years from 20 June 1981; and

(ii) two leasehold shop units at Kelana Centre Point, Malaysia at cost of $211,000. The lease is for 99 years from 1995.

The leasehold properties of the Group and the Company with carrying amounts of $2,810,000 (2012: Nil) and $2,525,000 (2012: Nil) respectively, are provided as security for the Group's borrowings (Note 17).

The carrying amount of plant and equipment and motor vehicles of the Group and of the Company purchased and secured under hire purchase contracts (Note 17) is as follows:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Plant and equipment	10	13	–	–
Motor vehicles	562	385	229	–
	572	398	229	–

14 DEFERRED INCOME TAX ASSETS

	Group 2013 $'000	Group 2012 $'000
At beginning of financial year	12	14
Transfer to statement of comprehensive income	(12)	(2)
At end of financial year	–	12

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

	Group 2013 $'000	Group 2012 $'000
Accelerated tax depreciation	(7)	(5)
Other timing differences	7	17
	–	12

15 INTANGIBLE ASSETS

	Provisional goodwill $'000	Goodwill arising on consolidation $'000	Customers' Contracts $'000	Total $'000
Group				
Cost:				
As at 1 January 2012	–	4,968	–	4,968
Additions during the year (Note 10)	8,532	–	–	8,532
As at 31 December 2012	8,532	4,968	–	13,500
Reclassification	(8,532)	–	8,532	–
As at 31 December 2013	–	4,968	8,532	13,500
Accumulated amortisation and impairment:				
As at 1 January 2012	–	–	–	–
Impairment loss	–	2,468	–	2,468
As at 31 December 2012	–	2,468	–	2,468
Amortisation	–	–	2,345	2,345
Impairment loss	–	2,500	–	2,500
As at 31 December 2013	–	4,968	2,345	7,313
Net carrying amount:				
As at 31 December 2013	–	–	6,187	6,187
As at 31 December 2012	8,532	2,500	–	11,032

15 INTANGIBLE ASSETS (CONT'D)

Impairment tests for goodwill arising on consolidation

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	
	2013	2012
	$'000	$'000
Industrial Engineering Systems Pte. Ltd.	–	2,500
Industrial Power Technology Pte Ltd – provisional goodwill (Note 10)	–	8,532
	–	11,032

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 $2,500,000 (2012: 2,468,000) was recognised within "other expenses" in the consolidated statement of comprehensive income for the financial year ended 31 December 2013 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 within the five years are 14% (2012: 6%) and 3% and declining to 2% (2012:3% and declining to 2.5%), respectively.

During the financial year, the Group reclassified the provisional goodwill arising from the acquisition of Industrial Power Technology Pte Ltd in 2012 amounting to $8,532,000 to intangible assets – customers' contracts. The amortisation of customers' contracts of $2,345,000 (2012: Nil) is included in other expenses in profit or loss.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables:				
Non-related parties	6,208	4,405	–	–
Due to customers on construction contracts (Note 6)	1,458	2,243	–	–
Advance received on construction contracts (Note 6)	2,246	2,029	–	–
Other payables:				
Subsidiary	–	–	1,587	–
Non-related parties	229	1,903	–	797
Related party (Note 29)	124	143	–	50
Other accrual for operating Expenses	1,417	1,022	232	357
	11,682	11,745	1,819	1,204

Subsidiary:

Amount due to a subsidiary is unsecured, bears interests ranging from 7.75% to 10% (2012: Nil) and repayable on demand.

17 BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current:				
Trust receipts	400	434	–	–
Bank overdraft	147	–	–	–
Term loan	5	–	–	–
Finance lease liability	93	54	38	–
	645	488	38	–
Non-current:				
Term loan	119	–	–	–
Finance lease liability	287	219	124	–
	406	219	124	–
Total	1,051	707	162	–

Trust receipts:

Trust receipts of a subsidiary are secured by way of a pledge of fixed deposits (Note 5) amounting to approximately $51,000 (2012: $253,000) and a corporate guarantee of $1,000,000 jointly issued by the Company and a related party.

Trust receipts incur interest rates ranging from 2.32% to 5.75% (2012: 2% to 6.75%) per annum.

Bank overdraft:

Bank overdraft of a subsidiary is secured by way of a pledge of fixed deposits (Note 5) amounting to approximately $1,500,000 (2012: Nil) by the Company.

Term loan:

The term loan bears interest of 5.1% (2012: Nil) per annum and is secured as follows:–

(i) Charge on leasehold premise; and

(ii) Personal guarantee of a director of a subsidiary.

Finance lease liability:

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

17 BORROWINGS (CONT'D)

	Minimum lease payments		Present value of payments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Group:				
Amounts payable under finance lease:				
Less than one year	104	64	93	54
Between 2 to 5 years	312	204	287	186
More than 5 years	–	34	–	33
	416	302	380	273
Less: Future finance charges	(36)	(29)	–	–
Present value of finance lease liabilities	380	273	380	273
Company:				
Amounts payable under finance lease:				
Less than one year	42	–	38	–
Between 2 to 5 years	135	–	124	–
	177	–	162	–
Less: Future finance charges	(15)	–	–	–
Present value of finance lease liabilities	162	–	162	–

The effective rates of interest for finance lease range from 1.88% and 7.45% (2012: 3.57% and 7.45%) per annum.

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Group:				
Amounts payable under borrowings:				
Less than one year	645	488	38	–
Between 2 to 5 years	314	186	124	–
More than 5 years	92	33	–	–
	1,051	707	162	–

Fair value of non-current borrowings

The fair value of the Group's non-current borrowings amounting to $384,000 (2012: $223,000) is determined from the cash flow analysis, discounted at 5.0% to 5.2% (2012: 6.5% to 6.7%) 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 2012	446,140	40,694
Issue of shares	210,000	3,990
Share issue expenses	–	(25)
As at 31 December 2012	656,140	44,659
Issue of shares	656,140	9,842
Share issue expenses	–	(277)
As at 31 December 2013	1,312,280	54,224

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.

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.

During the financial year ended 31 December 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 newly issued shares rank pari passu in all respects with the previously issued shares.

19 OTHER RESERVES

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Composition:				
Capital reserve	(1,389)	(1,389)	–	–
Translation reserve	(281)	(88)	–	–
Fair value reserve	567	3,942	–	–
	(1,103)	2,465	–	–

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Movements:				
Capital reserve				
At beginning and end of financial year	(1,389)	(1,389)	–	–
Translation reserve				
At beginning of financial year	(88)	(27)	–	–
Net currency translation differences of financial statements of foreign subsidiaries	(193)	(61)	–	–
At end of financial year	(281)	(88)	–	–
Fair value reserve				
At beginning of financial year	3,942	(81)	–	–
Available-for-sale financial assets				
– Fair value (loss)/gains	(3,238)	4,712	–	–
– Reclassification adjustment on disposal	(137)	(689)	–	–
At end of financial year	567	3,942	–	–

The capital reserve represents 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 40% interest in P.J. Services Pte Ltd amounting to approximately $1,389,000 during the financial year ended 31 December 2011.

Other reserves are non-distributable.

20 REVENUE

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Sales of goods	11,687	16,958	–	–
Construction revenue	25,734	–	–	–
	37,421	16,958	–	–

21 OTHER INCOME

	Group	
	2013	2012
	$'000	$'000
Interest income from bank and deposits	23	11
Miscellaneous	247	345
Gain on disposal of financial assets, at fair value through profit or loss, net	–	1,076
Gain on disposal of available-for-sale financial assets	41	1,790
Gain on disposal of property, plant and equipment	17	–
Fair value gain on financial assets, at fair value through profit or loss	–	4,203
Gain on bargain purchase on acquisition of a subsidiary	95	–
Gain on discounting of long term trade receivables	38	26
	461	7,451

22 OTHER EXPENSES

	Group	
	2013	2012
	$'000	$'000
Amortisation of intangible assets	2,345	–
Foreign currency exchange loss	73	31
Loss on disposal of financial assets, at fair value through profit or loss, net	2,486	–
Impairment loss on investments in available-for-sale financial assets (Note 12)	1,224	–
Fair value loss on financial assets, at fair value through profit or loss	4,585	–
Impairment loss on goodwill arising on consolidation (Note 15)	2,500	2,468
	13,213	2,499

23 FINANCE COSTS

	Group	
	2013	2012
	$'000	$'000
Interest on finance lease liabilities	12	7
Interest on term loan	4	–
Interest on bank overdraft and trust receipts	9	30
	25	37

24 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is determined after charging the following:

	Group	
	2013	2012
	$'000	$'000
Depreciation expense on property, plant and equipment	332	80
Directors' remuneration		
– Company	231	207
– Subsidiaries	550	250
Directors' fees		
– Company	90	72
– Subsidiaries	27	27
Underprovision of directors' fees of the Company in previous year	–	12
Fees on audit services paid/payable to:		
– Auditor of the Company	129	115
– Other auditors	17	17
Fees on non-audit services paid/payable to:		
– Auditor of the Company	9	7
– Other auditors	1	1

Amount is less than $1,000.

25 INCOME TAX (CREDIT)/EXPENSE

	Group	
	2013	2012
	$'000	$'000
Tax expense attributable to (loss)/profit is made up of:		
Current income tax		
– Singapore	–	–
– Foreign	75	21
Deferred income tax (Note 14)		
– Singapore	17	2
– Foreign	(5)	–
	87	23
Overprovision in previous financial year:		
– Singapore	–	–
– Foreign	(140)	(8)
	(140)	(8)
Total	(53)	15

25 INCOME TAX (CREDIT)/EXPENSE (CONT'D)

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

	Group	
	2013	2012
	$'000	$'000
Tax calculated at tax rate of 17%	(2,385)	653
Effects of:		
Different tax rates in other countries	13	15
Non allowable items, net	2,726	913
Non taxable items, net	(479)	(1,675)
Deferred tax assets not recognised	234	–
Overprovision in prior years	(140)	(8)
Unutilised capital allowances	–	–
Others	(22)	117
Tax expense	(53)	15

26 (LOSS)/EARNINGS PER SHARE

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

	Group	
	2013	2012
	$'000	$'000
Net (loss)/profit attributable to equity holders of the Company ($'000)	(13,747)	3,709
Weighted average number of shares ('000)	1,285,314	589,582
Basic and diluted (loss)/earnings per share (in cents)	(1.07)	0.63

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

27 SEGMENT INFORMATION

Analysis by Geographical Segments

	Singapore $'000	Malaysia $'000	Indonesia $'000	Elimination $'000	Total $'000
For the financial year ended 31 December 2013					
Geographical segments by location of assets					
Revenue:					
External sales	33,316	5,684	806	(2,385)	37,421
Inter-segment sales	(640)	(1,160)	(585)	2,385	–
Total revenue	32,676	4,524	221	–	37,421
Results:					
Segment results	(14,849)	(863)	(653)	2,455	(13,910)
Share of loss of associated companies	(117)	–	–	–	(117)
Interest income	81	–	–	(58)	23
Interest expense	(83)	–	–	58	(25)
Profit/(loss) before income tax	(14,968)	(863)	(653)	2,455	(14,029)
Income tax	(18)	(69)	140	–	53
Total profit/(loss) for the financial year	(14,986)	(932)	(513)	2,455	(13,976)
Other information:					
Capital expenditure	2,985	365	1	–	3,351
Depreciation	311	21	–	–	332
Amortisation of intangible assets					2,345
Impairment loss on available-for-sale financial assets					1,224
Impairment loss on goodwill arising on acquisition of a subsidiary					2,500
					6,401
Assets:					
Segment assets	50,330	2,302	969	(18,290)	35,311
Fixed deposits	1,704	80	–	–	1,784
Consolidated total assets					37,095
Liabilities:					
Segment liabilities	18,974	882	393	(8,567)	11,682
Borrowings	912	139	–	–	1,051
Current income tax liabilities	64	35	130	–	229
Consolidated total Liabilities					12,962

27 SEGMENT INFORMATION (CONT'D)

Analysis by Geographical Segments (Cont'd)

	Singapore $'000	Malaysia $'000	Indonesia $'000	Thailand $'000	Vietnam $'000	Brunei and Myanmar $'000	Peoples' Republic of China $'000	Others $'000	Total $'000
Geographical segments by customer base									
Revenue	3,057	22,038	856	10,996	324	51	29	70	37,421

	Singapore $'000	Malaysia $'000	Indonesia $'000	Elimination $'000	Total $'000
For the financial year ended 31 December 2012					
Geographical segments by location of assets					
Revenue:					
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)
Profit/(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

27 SEGMENT INFORMATION (CONT'D)

Analysis by Geographical Segments (Cont'd)

	Singapore $'000	Malaysia $'000	Indonesia $'000	Elimination $'000	Total $'000
Assets:					
Segment assets	49,678	4,708	1,100	(11,213)	44,273
Fixed deposits	400	83	–	–	483
Deferred tax assets	18	(6)	–	–	12
Consolidated total assets					44,768
Liabilities:					
Segment liabilities	16,952	1,378	316	(6,901)	11,745
Borrowings	707	–	–	–	707
Current income tax liabilities	63	–	314	–	377
Consolidated total liabilities					12,829

	Singapore $'000	Malaysia $'000	Indonesia $'000	Thailand $'000	Vietnam $'000	Brunei and Myanmar $'000	Peoples' Republic of China $'000	Others $'000	Total $'000
Geographical segments by customer base									
Revenue	1,889	11,552	778	1,865	667	14	54	139	16,958

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

	Revenue		Segment assets		Capital additions	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Engineering services	1,271	4,629	3,123	3,979	–	–
Oil and gas equipment	10,416	12,329	4,232	3,003	366	54
Biomass projects	25,734	–*	15,426	10,916	135	–
Investments and others	–	–	14,314	26,870	2,850	–
	37,421	16,958	37,095	44,768	3,351	54

* Biomass projects business segment was acquired on 28 December 2012 and hence there was nil revenue contributed in 2012.

28 COMMITMENTS

OPERATING LEASE COMMITMENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Minimum lease payments under operating leases included in the statement of comprehensive income:				
– Rental of office premises	142	138	18	18
– Photocopying machine	10	6	3	3
	152	144	21	21

At the end of the reporting period, the commitments in respect of non-cancellable operating leases with terms from 1 to 2 years (2012: 1 to 2 years) for the rental of office premises and photocopying machines from non-related parties were as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within one year	13	97	–	–
In the second to fifth year Inclusive	10	24	–	–

29 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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(a) Key management personnel				
– Remuneration	911	646	231	196
– Employer's contribution to defined contribution plans including Central Provident Fund	22	26	1	10
(b) Fees paid to a firm of which an ex-director of the Company is a director but not a member#	20	31	–	–
(c) Fees paid to a firm of which a director of the Company is an equity partner^	–	6	–	–
(d) Purchase of plant and equipment from other related party	99	–	–	–

Note:

\# Robert Wang & Woo LLP as its solicitors. Mr. Tan Soo Khoon Raymond, who has retired during the financial year, was a director of Robert Wang & Woo LLP but he had no equity interests in Robert Wang & Woo LLP. The Audit Committee has reviewed the fees charged by Robert Wang & Woo LLP of $20,000 (2012: $31,306) 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.

^ 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 Nil (2012: $6,088) 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 work.

Other related party is a Company which is controlled or significantly influenced by the Group's key management personnel.

30 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.

(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
Group							
As at 31 December 2013							
Financial assets							
Cash and cash equivalents, fixed deposits, available-for-sale financial assets and fair value through profit or loss	5,833	860	528	8	109	272	7,610
Trade and other receivables and other current assets (except prepayments)	1,186	1,696	9,943	–	559	791	14,175
	7,019	2,556	10,471	8	668	1,063	21,785
Financial liabilities							
Trade and other payables and borrowings	(3,551)	(1,829)	(1,799)	–	(684)	(1,166)	(9,029)
Net financial assets	3,468	727	8,672	8	(16)	(103)	12,756
Less: Net financial assets denominated in the respective entities' functional currencies	(3,468)	–	–	–	–	–	(3,468)
Net currency exposure	–	727	8,672	8	(16)	(103)	9,288

30 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
Group							
As at 31 December 2012							
Financial assets							
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
Financial liabilities							
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

Company

As at 31 December 2013 and 2012, there is no currency risk exposure for the financial assets and liabilities as they are all denominated in the Company's functional currency.

30 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% (2012: 5%) respectively, with all other variables including tax rate being held constant, the effect on the total loss (2012: profit) will be as follows:

	Group Increase/(decrease)	
	2013	2012
	$'000	$'000
USD against SGD		
– Strengthen	(36)	173
– Weaken	36	(173)
MYR against SGD		
– Strengthen	(434)	121
– Weaken	434	(121)
IDR against SGD		
– Strengthen	(1)	1
– Weaken	1	(1)
EUR against SGD		
– Strengthen	1	(26)
– Weaken	(1)	26

(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 2013. 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.

30 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% (2012: 10%) with all other variables including tax rate being held constant, the effects on the net loss (2012: profit) for the financial year and other comprehensive loss (2012: income) would have been:

	Group Increase/(decrease)			
	2013 Loss after tax $'000	2013 Other comprehensive loss $'000	2012 Profit after tax $'000	2012 Other comprehensive income $'000
Group				
Listed on Singapore Exchange				
– Increased by 10%	(121)	(237)	864	686
– Decreased by 10%	121	237	(864)	(686)
Company				
Listed on Singapore Exchange				
– Increased by 10%	(121)	(123)	864	–
– Decreased by 10%	121	123	(864)	–

(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.

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(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.

The trade and other receivables and other current assets of the Group and Company comprise 3 debtors (2012: 3 debtors) and 1 debtor (2012: 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 $12,526,000 (2012: $7,453,000) are past due at the end of the reporting period but not impaired. Trade and other receivables that are impaired amounting to approximately $452,000 (2012: $449,000) 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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not past due	5,174	4,878	644	249
Past due 1 – 30 days	1,951	684	–	–
Past due 31 – 60 days	1,655	207	–	–
Past due 61 – 90 days	2,146	21	–	–
More than 90 days	1,600	1,663	–	–
	12,526	7,453	644	249

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

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

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

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	
	2013	**2012**
	$'000	**$'000**
Less than one year		
Trade and other payables	7,978	7,473
Borrowings	110	488
	8,088	7,961
Between 2 to 5 years		
Borrowings	338	204
More than 5 years		
Borrowings	92	34
	8,518	8,199

(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.

The subsidiaries in the Group are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2012, respectively. The Company is not subject to externally imposed capital requirements for the financial year ended 31 December 2013 and 2012, respectively.

30 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 2013:

a. quoted prices (unadjusted) in active markets for identical assets (Level 1);

b. 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

c. inputs for the assets that are not based on observable market data (unobservable inputs) (Level 3).

Group	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
As at 31 December 2013			
Assets			
Financial assets, at fair value through profit or loss	1,411	–	–
Available-for-sale financial assets	2,365	–	–
Total	3,776	–	–
As at 31 December 2012			
Assets			
Financial assets, at fair value through profit or loss	8,636	–	–
Available-for-sale financial assets	6,864	–	–
Total	15,500	–	–

Company	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
As at 31 December 2013			
Assets			
Financial assets, at fair value through profit or loss	1,411	–	–
Available-for-sale financial assets	1,225	–	–
Total	2,636	–	–
As at 31 December 2012			
Assets			
Financial assets, at fair value through profit or loss	8,636	–	–

31 OTHERS

(a) Employee compensation

	Group 2013 $'000	Group 2012 $'000
Wages, salaries and other related costs	3,485	1,240
Employer's contribution to defined contribution plans including Central Provident Fund	278	137
	3,763	1,377

(b) Directors' remuneration

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

	Group 2013	Group 2012
Number of directors of the Company in remuneration bands		
– above $500,000	–	–
– $250,000 to below $500,000	–	–
– below $250,000	6	6
Total	6	6

	Group 2013 $'000	Group 2012 $'000
Directors' remuneration paid/payable to:		
– directors of the Company	231	207
– other directors	550	250
Directors' fees paid/payable to:		
– directors of the Company	90	72
– other directors	27	27
Underprovision of directors' fees payable to directors of the Company	–	12
	898	568

32 CORPORATE GUARANTEE/CONTINGENT LIABILITIES

During the financial year, the Company together with a third party has issued joint and several corporate guarantees to an insurance company and banks for advance payment security, performance security and certain banking facilities of $21,262,000 for a project of a subsidiary, of which $3,967,000 has been discharged subsequent to the financial year. The fair values of the corporate guarantees are considered negligible.

33 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements presentation on amount due to/from construction contracts. As a result, certain line items have been amended in the statement of financial position and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	Group	
	Previously reported $'000	**After reclassification $'000**
Statement of financial position:		
– Trade and other receivables (Note 6)	7,331	10,457
– Trade and other payables (Note 16)	8,619	11,745
Notes to the financial statements:		
– Due from customers on construction contracts (Note 6)	–	3,126
– Due to customers on construction contracts (Notes 16 and 6)	1,146	2,243
– Advance received on construction contracts (Notes 16 and 6)	–	2,029

34 OTHER SUBSEQUENT EVENT

The Company announced on 4 April 2014, that it has received a notice dated 3 April 2014 from the Commercial Affairs Department ("CAD") stating that it is conducting investigations into an offence under the Securities and Futures Act (Cap. 289) and that it requires access to the following for the period from 1 January 2011 to 3 April 2014:

(i) all records pertaining to securities trading;

(ii) all records in relation to accounts held with financial institutions;

(iii) all corporate electronic data, information technology equipment and data storage devices belonging to the current directors and Mr. Lim Meng Check; and

(iv) any other relevant documents.

Mr. Edwin Sugiarto, the Company's Chairman and Executive Director, was interviewed by CAD officers in relation to its investigations. His passport has been impounded and he is currently on police bail. Mr. Goh Hin Calm, an Independent and Non-Executive Director of the Company, is assisting the CAD with its investigations.

34 OTHER SUBSEQUENT EVENT (CONT'D)

The Company's subsidiaries, Industrial Power Technology Pte Ltd ("IPT") and P.J. Services Pte Ltd ("PJ"), have also each received a similar notice dated 3 April 2014 from the CAD, requiring them to provide the CAD with access to the following for the period from 1 January 2011 to 3 April 2014:

(a) in the case of IPT:

(i) all corporate electronic data, information technology equipment and data storage devices belonging to Mr. Edwin Sugiarto; and

(ii) any other relevant documents; and

(b) in the case of PJ:

(i) all corporate electronic data, information technology equipment and data storage devices belonging to Mr. Lim Meng Check and Mr. Edwin Sugiarto; and

(ii) any other relevant documents.

Mr. Lim Meng Check was the previous Chief Executive Officer and Executive Director of the Company and was also previously a director of PJ. He resigned from the Company and PJ on 31 January 2013.

As of the date of this report, the CAD has not given the Company any further details of its investigations and the Board is currently not aware if any offence has been committed.

The Company intends to co-operate fully and extend all necessary assistance to the relevant authorities. Apart from the information and documents already provided to the CAD, the Board has also provided all other relevant information and documents to the CAD.

The business and operations of the Company and its subsidiaries are not affected by the investigations and will continue as normal.

35 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new and revised FRSs have been issued that are effective for accounting periods beginning on or after 1 January 2014 that are applicable to the Group and Company.

- FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- FRS 27 (Revised 2011) Separate Financial Statements and FRS 28 (Revised 2011) Investments in Associates and Joint Ventures

The management anticipates that the adoption of the above new and revised FRSs and 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 31 March 2014

Issued and fully paid Shares	:	$54,574,268
Number of Issued Shares	:	1,312,279,324
Class of Shares	:	Ordinary Shares
Voting Rights:		
– on a show of hands	:	One vote for each member
– on a poll	:	One vote for each Ordinary Share held
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Issued Shares	%
1 – 999	5	0.14	1,020	0.00
1,000 – 10,000	546	15.82	3,627,852	0.28
10,001 – 1,000,000	2,710	78.51	474,061,150	36.12
1,000,001 and above	191	5.53	834,589,302	63.60
TOTAL	3,452	100.00	1,312,279,324	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Issued Shares held	% of Issued Shares
1	PHILLIP SECURITIES PTE LTD	123,566,800	9.42
2	TENGKU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	31,000,000	2.36
3	TAN ENG CHUA EDWIN	28,766,000	2.19
4	ANG CHAI CHENG	26,140,000	1.99
5	TEO EE SENG	25,000,000	1.91
6	HONG LEONG FINANCE NOMINEES PTE LTD	19,850,000	1.51
7	OCBC SECURITIES PRIVATE LTD	18,922,000	1.44
8	RADCLIFFE DEREK	18,029,176	1.37
9	DBS NOMINEES PTE LTD	17,841,005	1.36
10	KOH LAY CHOO KELEN	16,070,000	1.22
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	15,234,100	1.16
12	MAYBANK KIM ENG SECURITIES PTE LTD	14,574,000	1.11
13	TAN CHENG GUAN	13,901,000	1.06
14	DBS VICKERS SECURITIES (S) PTE LTD	13,747,000	1.05
15	ZHANG LIXIN	13,500,000	1.03
16	OCBC NOMINEES SINGAPORE PTE LTD	11,986,100	0.91
17	BANK OF EAST ASIA NOMS PTE LTD	10,800,000	0.82
18	UOB KAY HIAN PTE LTD	10,505,000	0.80
19	AMFRASER SECURITIES PTE. LTD.	8,423,000	0.64
20	DMG & PARTNERS SECURITIES PTE LTD	8,133,000	0.62
	TOTAL	445,988,181	33.97

STATISTICS OF SHAREHOLDINGS

As at 31 March 2014

SUBSTANTIAL SHAREHOLDER

(as recorded in the Register of Substantial Shareholders as at 31 March 2014)

		Direct		Deemed	
No.	**Name of Shareholder**	**Number of Issued Shares held**	**% of Issued Shares**	**Number of Issued Shares held**	**% of Issued Shares**
1	EDWIN SUGIARTO *	108,269,800	8.25	–	–

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

SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 31 March 2014, approximately 91.75% of the Issued Share Capital of the Company is being held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited 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 **Pan Pacific Orchard, Monet Room, Level 3, 10 Claymore Road, Singapore 229540 on Wednesday, 30 April 2014 at 10.30 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 2013 and the report of the Directors and Auditors thereon. **[Resolution 1]**

2. To approve Directors' fees of $90,000 for the financial year ended 31 December 2013. **[Resolution 2]**

3. To re-elect the following Directors, who retire by rotation in accordance with Article 104 of the Company's Articles of Association [*See Explanatory Note (i)*]:

   (i) Mr. Ong Su Aun Jeffrey **[Resolution 3 (i)]**

   (ii) Mr. Nicholas Jeyaraj s/o Narayanan **[Resolution 3 (ii)]**

4. To re-elect the following Directors, who were appointed on 30 April 2013 to fill casual vacancies, now retiring under Article 108 of the Company's Articles of Association and are eligible for re-election [*See Explanatory Note (ii)*]:

   (i) Mr. N. Sivagurunathan V. Narayanasamy **[Resolution 4 (i)]**

   (ii) Mr. Augustine A/L T.K. James **[Resolution 4 (ii)]**

5. To re-appoint Messrs RT LLP (formerly known as 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;

(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 (iii)*]

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 2014

Explanatory Notes:

(i) (a) Mr. Ong Su Aun Jeffrey ("**Mr. Ong**"), if re-elected, will remain as an Independent and Non-Executive Director of the Company. He will also remain as a member of the Audit Committee, Nominating Committee and Chairman of Remuneration Committee. Mr. Ong is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(b) Mr. Nicholas Jeyaraj s/o Narayanan, if re-elected, will remain as a Non-Independent and Non-Executive Director.

(ii) (a) Mr. N. Sivagurunathan V. Narayanasamy ("**Mr. Narayanasamy**"), if re-elected, will remain as an Independent and Non-Executive Director of the Company. He will also remain as a member of the Audit Committee, Remuneration Committee and Chairman of the Nominating Committee. Mr. Narayanasamy is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(b) Mr. Augustine A/L T.K. James ("**Mr. James**"), if re-elected, will remain as Independent and Non-Executive Director and Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr. James is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(iii) **Resolution 6** is to authorise 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)

Proxy Form

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.

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 **Pan Pacific Orchard, Monet Room, Level 3, 10 Claymore Road, Singapore 229540 on Wednesday, 30 April 2014, at 10.30 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 2013		
2	Approval of Directors' fees		
3(i)	Re-election of Mr. Ong Su Aun Jeffrey as a Director		
3(ii)	Re-election of Mr. Nicholas Jeyaraj s/o Narayanan as a Director		
4(i)	Re-election of Mr. N. Sivagurunathan V. Narayanasamy as a Director		
4(ii)	Re-election of Mr. Augustine A/L T.K. James as a Director		
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 ________________ 2014

Total Number of Shares Held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

REVISED COPY

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.

Affix
postage
stamp here

ANNICA HOLDINGS LIMITED
9 TEMASEK BOULEVARD
#41-01 SUNTEC TOWER 2
SINGAPORE 038989

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ANNICA HOLDINGS LIMITED
COMPANY REGISTRATION NO. 198304025N
9 TEMASEK BOULEVARD
#41-01 SUNTEC TOWER 2
SINGAPORE 038989